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LONDON: P. FISHER UNWIN.

# THE LABOUR MOVEMENT

L. T. HOBHQUSE

*Late Fellow of Corpus Christi College, Oxford, formerly Fellow of Merton College*

WITH PREFACE BY  
*THE RT. HON. R. B. HALDANE M.P.*

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*Edited by*

**Sri Basanti Pallav Sen**

8/1-A, M. L. S. B. S. Lane

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## PREFATORY NOTE.

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THE following chapters profess to give neither a history of the Labour Movement nor a statistical account of the present industrial position. Their aim is merely, first, to state and briefly defend certain principles of economic reform; secondly, to show that under many differences of application and detail these principles are common to various industrial movements of the present day; and accordingly to argue that the movements in question have a natural basis for a closer alliance with one another and a reasonable claim on the support of all who desire a remedy for economic evils.

My obligations to several authors will be obvious enough; but I wish expressly to acknowledge how much I owe to Mrs. Webb's "Co-operative Movement" and Professor Marshall's "Principles of Economics." I have also to thank Mrs. Vaughan Nash for several suggestions, and Mr. Tom



Man for many fruitful and stimulating ideas, and I am under a special obligation to Miss Llewelyn Davies (Secretary of the Women's Co-operative Guild) for most valuable suggestions and criticisms on points of principle and arrangement, and for drawing my attention to many illustrative details of Trade Union and Co-operative work.

## NOTE TO SECOND EDITION.

In republishing this Essay with comparatively few alterations, the writer hopes that he will not be taken to be unconscious of its many deficiencies and shortcomings. Had circumstances permitted, a fuller revision would have been undertaken, but it is hoped that as the work stands it may serve as an elementary introduction to certain aspects of economic theory and industrial movement which are more elaborately treated in larger works.

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## PREFACE.

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A DISTINGUISHED colonial statesman once said that it had taken the working classes of his colony ten years to find out the power which the extension of the suffrage had conferred on them. Nearly ten years have passed since the franchise was extended to the rural labourers here. In the main they appear to have found their political feet. But the result has hardly been what was looked for by the Radical Leaders of 1885. It is true that the government of this country is, in substance, if not in form, almost completely democratic. But experience has shown that somewhere in the reasoning of the politicians who, like Mr. Chamberlain, predicted that with the new franchise those who remained on earth would witness a political millennium, there lurked a fallacy. That fallacy has now been dragged to light. It turns out to have been a very simple one. It consisted in the assumption that Democracy and Radicalism were convertible terms. That they are not, we now know. We have witnessed a tendency in the working men of the towns to turn Conservative, and so to neutralise that shifting of the balance of political power which took place in 1885. What is the inference? There are those who decline to believe that the social arrangements of this country are perfect, or even within measurable distance of perfection. They assert

more loudly than ever that the system under which the products of industry continue to be distributed is pervaded by gross and cruel injustice. They declare, too, that the working people are alive to this fact and are prepared to insist upon reform. And they draw the conclusion that the failure of motive power in the machine of progress is to be sought, not in the Democracy, but in the Radicalism of to-day.

Let us look more closely at these criticisms of our Radical politics. "He, whoever he is," said a great German, "who acts on one maxim is a pedant, and spoils things for himself and others." There is current a tendency to act on one maxim. It is forgotten that what was the truth for the last generation is not necessarily the truth for this. Cobden and Bright proclaimed fifty years ago that the next step was to sweep away the remaining vestiges of legal interference with the import of food. They succeeded in persuading the nation to take that step. They had the requisite force only because they looked at the one maxim, and concentrated themselves on its application. True, when they went further and applied it to labour, as though it also were a commodity, they proved themselves open, in the matter of their opposition to Factory Legislation, to the suspicion of pedantry. But it is as wrong to-day to decry Cobden and Bright because they took what was undoubtedly the truth as regards the Corn Laws to be the truth for all times and all circumstances, as it would be to invoke their opinions to-day about the relations of Labour and Capital.

Two things have to be taught to the Democracy of to-day before it is likely to fulfil what was predicted of it in 1885. It is a Democracy of flesh and blood, and it has all that combination of strength and weakness, of desire for progress coupled with attachment to the very traditions that block the highway, which is shown by the numerically less important layers of society which weigh it down. And so it is that our leaders must teach this Democracy that they have a message for it, a message not of mere theoretical

interest, but of practical import for the bettering of its condition. They must convince it, too, of something more than this before they can gain its faith. Our working people have instincts of high-mindedness which are too often over-looked. Their imaginations must be touched and their moral enthusiasm evoked. And this is only to be done by statesmen who can come before them with clean hands, and for the sake of their cause and not themselves. Those who have seen the working classes most, know best how deep is their regard for character and ethical purpose when they find these qualities in their would-be leaders.

This second matter, vital as it is, does not come within the scope of any book on the Labour Movement. It belongs to the science of human nature. But the first question, how to reach the working people with a real message, is the subject of this book. Its writer belongs to a school which is rapidly growing, a school the leading tenet of which is that the problem of to-day is distribution and not production, and that better distribution requires the active intervention of the State at every turn. The disciples of this school believe that society is more than a mere aggregate of individuals, and see in it a living whole, which not only does control the lives of its component parts, but must do so if these parts are to remain healthy, and not as to some of them develop into unnatural growths drawing unduly on the common resources, and as to others of them wither up and die of inanition. Such a general control they say is natural, and while they agree that the members must have scope for free development as individuals, they say that such development takes place most healthily when it is kept in consistency with the equally real life of the common whole. They point to the success of the Factory Acts, of the Mines and Merchant Shipping and Truck Acts, and to many other illustrations of their principles, and they demand that this principle shall receive in the future the more extended application which they think its past history justifies.

It may be that their path will prove to be beset with difficulties and with dangers which they have not foreseen. No political problem was ever adequately solved by the mere dry light of abstract doctrine. Yet it may be that theirs is the truth for the time, just as Free Trade was the truth for the England of half a century since. And if this be so then unquestionably the preachers of the New Gospel do well to look neither to the right nor to the left, but to go unflinchingly forward as did the great reformers of the past, at the peril of being regarded as narrow, and with the certainty that in course of time their own teaching will be superseded as no longer adequate, and as inapplicable to a new set of social demands. Not only in politics, but in religion, in philosophy, in science, in literature, and in art have men learned to own that this is so, and that from the ever-developing nature of truth it must be so.

Such a book as this can never do more than present the problem as it is known, and the solution as it appears to be known. It must of necessity be abstract in its character. But its purpose is justified if it has stated what is ascertained of the nature and purpose of the new movement, and has exhibited it as a whole. How difficult are such legislative questions as the regulation of the hours of labour, and how crude are some of the plans which have been proposed for dealing with them, the writer is well aware. But to say that the questions are difficult and that none of the plans are satisfactory is not to say that they are to be shelved. We may be far from a state of things which many earnest people hope for and believe in as possible. But a remarkable movement has commenced, and these pages will have served their purpose if they show how and why it has arisen, and in what fashion its progress may be accelerated.

B. B. HALDANE.

# THE LABOUR MOVEMENT.

## CHAPTER I.

### THE AIMS OF LABOUR.

It is proverbially difficult to see the wood when the trees obscure it, and the casual observer of the Labour World of to-day is likely enough when he hears of the "Labour Movement" to ask, Where is it, and what is it? There are scores of organisations, hundreds of societies, meetings, processions, denunciations, programmes, leading articles, and placards. But what unity is there? what common principle or aim? Above all, what result?

A little inspection would reveal certain groupings of men and organisations. If not a "movement," certain movements, at any rate, would stand out in tolerably definite outline. In Trade Unionism, for example, with its million and a half of adherents, we have a great mass of men, agreeing upon the whole in their aims and methods, united in idea if not always in policy. Then there is the Co-operative World, with its million of members and fourteen hundred stores and societies scattered over the length and breadth of the land, yet united by its great wholesale societies and its congresses. Quite distinct from these, again, are various political and municipal organisations,

working apparently on quite different lines, yet also, as they claim, in the interests of labour.

If we, then, group the great powers of the Labour World after this manner, our original question becomes manageable, though it is not yet answered. Mutual understanding is not yet complete as between the actual members of these different groups, but to those who believe in the possibility of far-reaching economic reform there is no more hopeful sign than the growing recognition among them of a common aim.

Time was when Trade Unionists and Co-operators looked on one another with suspicion, while both were decried by the partisans of State action as the Whigs of the Labour Movement who were bent on framing a new aristocracy within the working class. But the era of mutual suspicion is rapidly passing away, partly because each of the movements in question is emerging from its primitive limitations and fulfilling wider and higher purposes, and partly because along with this growth comes a better understanding of other methods of reform.

The truth is, as I hope to show, that Trade Unionism, Co-operation, and State and Municipal Socialism have in essentials one and the same end to serve. Far from being alternative or incompatible methods, each is, I believe, the necessary supplement to the others in the fulfilment of the common purpose, and my present object is to consider what this purpose is and how each will help to work it out.

In a general way it is easy enough to lay down the objects of any genuine movement of economic reform. That the means of livelihood should be shared by all members of society, and this in such a way that all should have a chance, not merely of living, but of making the best of themselves and their lives—thus much must be the desire of every one who considers the subject. And though no economic progress can of itself produce good family life, nor intellectual culture, nor public spirit, yet that all of these

may flourish certain economic conditions must be fulfilled, and the object of industrial reform is to bring about these conditions. On the national industry the whole of the national life is based, and whatever powers may build up the fair edifice of the common weal, the economic system is responsible for the soundness of the substructure. This soundness may be said to consist in the provision by honest methods of the material requisites for a good and full life for all members of the community. Probably all would recognise this as desirable, though many would deny its possibility.

With this denial I shall deal later. Meanwhile I would point out that controversy really begins when we attempt to lay down the necessary prerequisites of our admitted aim. But in all the movements which I am considering it would be agreed that, if the economic basis of social life is to be sound, not increased production, but a better distribution of wealth, is essential. It is true that wealth is not an end in itself. It is true that beyond a certain point increase of wealth does not augment happiness, but rather tends to mar it. It is true that the acquisition of wealth, as such, is a base end to set before a man, or a class, or a nation. It is true that you will never satisfy your "infinite shoeblack" by filling his stomach. It is no less true that a certain moderate amount of material necessities and comforts are absolutely indispensable to a decent and happy family life, and that some measure of rest from manual toil is essential to the full development of the faculties and the due enjoyment of life; and it is equally undeniable that these material necessities and this leisure are out of the reach of vast numbers in the wealthiest countries of the world. I do not wish to dwell on this. We have had enough and to spare of denunciations of economic injustice and of pictures of social misery. Let us face the fact once for all, and not be blinded to it by the "barren optimistic sophistries of comfortable moles." Having faced it, let us



consider the remedy, and admit, once for all, that whatever be the character of that remedy, it must fulfil this first condition of distributing the products of industry with more regard to the welfare of the masses than is paid by the blind and sometimes blindly adored forces of competition.

But a better distribution of wealth means also a better distribution of duties. If we are anxious that all should eat and be filled, we should be equally determined that all should first work. In a healthy society there are neither idlers nor beggars; there is no leisured class, whether of tramps or millionaires. There ~~can be no~~ "Gospel of Rights" apart from that of Duties. But this means simply that we have to work towards a healthier state of social organisation in which each man will find his place in society and will recognise it. The "social organism" is a perfect organism only when its members feel that they depend on one another. Hence no deep or lasting improvement can come without a change in the spirit of our industrial system. Born and bred in the most outspoken individualist selfishness, the spirit of competitive commercialism has never belied its origin. The true source of stock-jobbing and adulteration, of filibustering adventurers and odious traffics enforced at the sword's point, it has made us pay heavily for such ~~advantages as it has brought~~. No mere change of machinery can undo the moral damage it has done. Machinery—laws, administration, organisations—are after all valuable only as the lever by which the moral forces of society can work. Mere reform of machinery is worthless unless it is the expression of a change of spirit and feeling. If the change from individualism to socialism meant nothing but an alteration in the methods of organising industry, it would leave the nation no happier or better than before. The same dishonesty, the same meanness, the same selfish rapacity would simply find different outlets. But if machinery without moral force is worthless, good intentions without machinery are helpless. If the

friends of justice and progress cannot come together and frame a concerted course of action, the good they can do is limited to their own lives. True administrative reform consists simply in such mechanical changes as will put power into the hands of those who will use it best; and when it is carried out with this intention legislative and administrative advance is the measure of progress.

Any movement, then, that aims at far-reaching economic reform must, so far as its effects extend, be introducing a new spirit into industry—a feeling for the common good, a readiness to forego personal advantage for the general gain, a recognition of mutual dependence. It must also provide the machinery by which the new spirit can make its mark upon the economic world, and its tendency must be to equalise the rights and duties of mankind.

Now, taking the movements I have named—Trade Unionism, Co-operation, and State and Municipal Socialism—how far does each of these fulfil the above conditions? What are they respectively doing at the present day? and—considering that each movement is rapidly growing—what is their tendency? what would they achieve supposing their full development attained? Finally, are they working together or against one another? Is there (in addition to the general ends above sketched) any common principle on which they work? The following chapters will attempt to give in outline the answer to these questions.

## CHAPTER II.

### TRADE UNIONISM AND THE CONTROL OF PRODUCTION.

If we accept the general definition of "industrial health," just given, the first problem that will occur to us is that of providing suitable conditions of work and adequate remuneration for the worker. Now, we find a vigorous and growing effort to secure these ends in Trade Unionism, a movement which is no longer confined to the "Aristocracy of Labour," but which embraces workers of every grade. Trade Unionism represents the attempt of the body of producers to regulate industry in their own interests as a body—not the effort of each man to shape the course of trade in the way which best suits himself, but the effort of the united body of workers to arrange the conditions of industry in the way which best suits them all. The Trade Union is, in fact, the association of workers in a given locality or in a given occupation formed with the purpose of regulating the conditions of labour in that locality or occupation. It endeavours, with varying success in different cases, to fix a minimum wage, to define the hours of work suitable to the occupation, and in general to insist on those conditions of employment the universal observance of which is necessary to the health, comfort, and efficiency of the whole body of workers. Such an effort is, of course, liable to errors both of ends and of means. As long as the Trade Union repre-

sents a small section of the community, it may endeavour to establish for itself a monopoly at the expense of the wider public.\* Everything human is liable to corruption, but if we are to push the possibility of corruption as an argument against Trade Unionism, we must be consistent and apply the same reasoning to other institutions as well, and it would be difficult to see how such primary social necessities as the maintenance of a political government would escape condemnation. It is more important to inquire what are the main beneficial functions which Trade Unionism can serve in assisting the organisation of industry. What is the movement actually doing? what can it legitimately aim at? can it achieve the whole of its aim? and what are its inherent limitations?

Regarding Trade Unionism from our present point of view as part of a wider movement, its function in that movement is clear. It has the foundation work to do. The workers themselves are the persons immediately affected by the conditions and remuneration of labour, and to the organised body of workers we look accordingly for the due regulation of these fundamental factors of social health.

There are indeed some conditions of labour of too great importance to be left to any voluntary associations. I mean such as gravely affect the health and safety of the worker. These, as I shall argue later, are, like the maintenance of the Queen's peace, matters of the first necessity, which must accordingly be regulated by law. In these matters the function of the Trade Union where it exists is mainly to give utterance to the wishes of the workers, to collect information and initiate legislation, and to aid the enforcement of the law when it is once on the Statute Book. But unfortunately the unhealthiest occupations at

\* Instances of success in such a policy would be found rather among old-established Unions in learned professions like the Bar than in the more modern combinations of manual labour.

the present day are just those in which Unionism is weakest. Hence it is on outside opinion that we have mainly to rely in the work of removing the darkest blots from our industrial life.

In their actual work at the present day Trade Unions are mainly concerned with the hours of work and its remuneration. Their avowed object is to obtain a "fair day's pay for a fair day's work," and that for all workers. But these are terms that require some definition. As to the "fair day's work" it is becoming pretty clearly defined for most trades as an "eight-hours day"—eight hours being a time for which an average man can work at an average employment without exhausting himself and without finding himself deprived of all leisure and energy for interesting himself in a wider life outside his work.

But what is a "fair" wage? This is not quite so easy to determine on any logical and consistent principle. The phrase indeed is used in every trade dispute that arises, but if a precise definition could be attached to it probably there would be fewer disputes than there are. I am not bold enough to attempt such a definition. I wish only to offer a few considerations, all of which may be, and perhaps in part are, taken into account by employers and employed at the present day, and might be more fully acted on by a more developed industrial organisation. In asking what wages are fair, I shall mean by "fair wages" the amount we should fix if we had the fixing in our power, in other words, I shall inquire how a well-ordered society would fix the rate of wages if it had the whole distribution of wealth under its control.

At present the appeal lies generally to the custom of the trade, or if that is definitely rejected as giving a rate of wage that is "too" high, or lower than is "fair," the rate prevailing in other trades may be looked to. Or, again, such a rate may be thought fair as would leave what is regarded as an average rate of profit to the employer—a

view which may be held to justify a sliding-scale. But especially since the advent of Unskilled Labour in the arena of industrial warfare there has been a tendency to refer to the amount on which a man can live as a standard minimum for a fair wage. It is in vain that the Gallios of the middle class reply that they "do not see the necessity" that these poor creatures should live. Like De Quincey's butcher, the poor creatures concerned show a determination to live which is "almost bloodthirsty" and doubtless most unreasonable, but nevertheless, when it finds organised expression, very effective. And looking at the matter from the point of view of the welfare of society as a whole the determination is perfectly justifiable. What ultimately is the meaning of "fair" or "reasonable?" By the agreement of philosophers of most opposite schools these words mean "that which is good for society" in one form or another. Nothing is fair, nothing reasonable which tends to cramp the life and diminish the happiness of society as a whole. Everything is fair and everything reasonable which, when all its effects are considered, tends to further social development and augment the happiness of men. Now I ask, is it for the good of society that a large portion of it, say a third, should be unable to provide themselves adequately with the mere material necessities of life? Is it well for the millions primarily concerned? Is it well for the moral health of the remainder who allow this to go on? Or is it not rather the first and greatest of all blots on the fair face of civilised humanity to be removed at all hazards and at any sacrifice?

I find myself, then, in full agreement with those who hold that the first condition which a "fair" wage must fulfil is that it should provide the worker with the means of living a civilised existence. It is needless to remark that the "fair" wage must be earned by "fair" work, but it may be noted that with the progress of the organisation of industry it will become increasingly easy to penalise idleness whether picturesque and luxurious, or squalid and

hungry. At present it is always difficult to tell whether a man could get work if he tried. In proportion as it becomes easier for the industrious man to find his proper place and to obtain fitting reward it becomes less difficult to enforce work and punish idleness without compunction. All that I say, then, of the standard of remuneration must be taken as applying to those who do work, and work to the standard required by their foremen or other managers, under limits laid down by their Trade Union.

It will be said that the conception of a certain standard of living or comfort as determining the fair wage does not help us much since the standard itself is continually fluctuating. That is true, and there must be an element of indefiniteness which no abstract reasoning can eliminate, but which can only be handled by common sense, treating each particular case on its merits. Yet there are certain necessities and comforts which can be specified that it is eminently desirable to place within the reach of all, and some of which are out of the reach of the majority in England at the present day. Such are sufficient food and clothing, house-room enough for cleanliness and decency, adequate medical attendance and nursing in sickness, the postponement of work in childhood till such education can be given as fits a man to be an active citizen, and sufficient leisure both for study and amusement in adult life. To these must be added a provision of great importance for childhood. I mean that the mother's care should not be diverted from the nursing and home education of her children by the need of contributing to their maintenance. Every career should be open to women without reserve, but it should be made unnecessary that any married woman should occupy her time in bread-winning at the expense of the all-important duties of the home. The "fair" wage, then, should be such as to enable a single bread-winner to support a whole family after the fashion I have described.

In all this I have been speaking of the minimum-wage—the first charge on the produce of industry, and my con-

attention is that it should be regulated primarily by the consideration of the possibilities of living. In actual wages other considerations of course enter. The most important of these perhaps are skill, effort, and unpleasantness of occupation. All these *do* enter into the rate of remuneration. *How far should they do so?* This question is bound to rise into importance with the growth of Trade Unionism, and few problems are more difficult to determine by any theoretical considerations. Let us, however, bear in mind, that whatever remuneration is just is so because it is for the common good that it is awarded. From this point of view it is clear that remuneration should in some degree depend on effort. I do not mean that competition should be reintroduced in the form of piece-work, or that any encouragement whatever should be given to over-exertion; but that a certain standard of assiduity and of length of work should be exacted as is done at present by the overseers of every branch of production, with this difference only, that the Trade Union of the producers affected should have a voice in the fixing of the standard. By this means society can call forth the requisite effort on its behalf without mischief to the most important part of its wealth, the health of its workers. Similar considerations determine the treatment of specially unpleasant or unhealthy occupations. In these, due regard for the common good as bound up with the good of the employed, would lead to such a reduction of hours as would leave plenty of time to recuperate. I do not think we shall in any case long continue to allow men to be kept ten or twelve hours in chemical works, where even breathing is a danger.

Turning next to the wages of skill (under which I include brain power), from the individualist point of view, it seems highly desirable that a man's earnings should be proportional to the value of his product. But such an apportionment may be quite incompatible with the virtue and happiness of society. Regarding only



these last considerations, would a well-directed industrial system assign a special reward to high skill? So far as skill is attained by effort, and so far as the requisite effort could only be called forth by direct pay, it would be worth while to pay for it. But what of native or original talent? The best and highest of such talents never yet have been paid for, and perhaps they work better without pay. The attempt to reward genius more often succeeds in vulgarising it. The same holds in some degree of the lesser abilities of inventors, and of the captains of industry. The profits attending success tend to divert their attention to profit-making courses. They make inventions or organise arrangements that will pay, not considering their effect upon society. A man is as eager to invent a new bomb as to construct an improved plough. And possibly we should have less misplaced ingenuity if the credit of the thing were its chief reward. But to push this principle to its logical conclusion would perhaps be Utopian. There are three reasons for assigning a special reward to skill and brain power. First, it is often practically impossible to distinguish native talent from the results of past effort, and a large proportion of men will therefore neither acquire nor use skill except for a reward. Secondly, it is better to be liberal than niggardly. Men work best on the whole for those who best mark their appreciation of services done by adequate reward, and though many a poet of the first order is and has to be content with less pay than a literary hack—"What porridge had John Keats?"—perhaps this is too much to be expected of the mass of able men. Lastly, within certain limits the brainworker requires more comforts and more rest than the manual-worker. He is a more delicate machine, requiring more care, and wearing out more easily. Skill therefore in every form should be liberally rewarded. Only let it be understood that, as a matter of social exigency, its extra reward ranks far below the necessity of providing a minimum for all workers.

A more difficult question arises as to the opposite of skill—~~incompetency~~. At the present day we have a number of sinecures, rents, annuities, charities, endowments, work-houses, gaols, and other admirable arrangements to keep the incompetent from starvation. If society were able to control industry and wealth for the good of its own members as a whole, I imagine that the only differences in this respect would be two. First, it would be *only* the incompetent and not also the idle who would be allowed thus to live on the surplus products of other men's industry. Idleness would be regarded as a social pest, to be stamped out like crime. Secondly, the miscellaneous selection of the incompetent for suitable provision at present effected by birth, fortune, favouritism, intrigue, quackery, and other means, would be superseded by a more scientific adjustment. All who could work would have to work, and those who, after adequate effort, proved incompetent to ~~earn~~ by their work the minimum of a decent livelihood, would have to be treated as a particular class of the infirm. As much as they could do being sternly demanded of them, the common purse must bear the deficit. Nor is this bad economy. To begin with, the burden would not be so great as that which broad-shouldered England bears to-day. We should have no idlers, let us hope, and none of the incompetent would be kept in luxury. Secondly, incompetence is not a constant factor in society. Two things increase it—luxury and starvation, both for moral and physiological reasons. Keep all the incompetent in comfort without luxury as the reward of the best work they can do, and you make the best possible arrangements for improving them off the face of the earth. I conclude, then, that a fair reward of labour should not be directly proportioned to skill, nor even to effort; that the best social arrangements would fix a minimum to be paid even to those unable to fully earn it; and that while an increase of remuneration for pure skill is necessary, and within limits

desirable, this is, on the rule of justice as laid down by social utility, a secondary consideration as compared with the necessity of providing a sufficiency for all, to be attended to when this greater need is satisfied. The primary economic need in the matter of Distribution is the fixing of a sufficient minimum remuneration and a reasonable maximum of hours for all workers in company with the enforcement of the rule that all who can work must work. Secondary to that is the due apportionment of additional remuneration for additional effort and special skill. To raise the wages of all workers to such a rate as will, without involving the exhaustion of the worker, provide the material means of a happy family life for all, is then, to us, the first object, and if it is difficult to say what this rate is, it is easy to say what it is not. It is not the wage paid to agricultural labour throughout the greater part of England. It is not the rate paid to unskilled labourers in towns. It is questionable whether the majority of clerks and skilled artisans may be said to reach it. Wherever we draw the line it is clear that an enormous amount of levelling up remains to be done.\* Now the main object of Trade Unionism is to enforce this minimum standard of comfort for all workers. This duty falls naturally upon it as the organisation of those primarily concerned, and up to this point, *at least*, it works for what we have seen to be the highest interests of society as a whole.

Can Trade Unionism achieve this object either as an independent movement, or as part of a wider movement? Can it do anything to secure for more and more workers a nearer approach to the ideal of a fair day's work for a fair day's wage as above defined?

To answer this question it is not enough to point out that in general wages have risen where Unions are strong, as

\* In London, according to Mr. Charles Booth, 18s. to 21s. per week may be said to afford a bare sufficiency; and the classes which are either in want or would be "better for more of everything" amount to 82 per cent. of the population ("Life and Labour of the People," vol. I. pp. 85 ff. and 181, vol. II. p. 24, &c.).

compared with places or industries in which they are weak. Nor is it enough to show that the period in which Unions have grown has witnessed a great improvement in the whole economic condition of the classes which have formed them. A more promising course is to point to instances in which the Unions have actually agitated or fought for advantages with success. It would be easy enough to pile up lists of successes from all epochs of Trade Unionism, and from every kind of trade. In the "Nine Hours Movement" of twenty years ago as in the advanced skirmishes of the "Eight Hours" battle to-day; \* in the success of the Miners' Federation, first, in raising wages from 30 to 40 per cent., and then in resisting the reduction which has befallen the non-federated districts; in the famous Dockers' Tanner, and in the reduction of hours from twelve to eight effected at a stroke by the Gasworkers Union, we see the power of combination at work, on hours and wages, in skilled trades and unskilled, in the past and in the present, in town and in country, † sometimes moving swiftly, sometimes checked, but on the whole making its way, and maintaining the ground that it wins. And we cannot count by victories alone. Though the Union may be defeated the fight may be justified by results. ‡ A brave people may be

\* Written in 1892. The lock-out of 1893 ended in the acceptance of a 10 per cent. reduction instead of the 25 per cent. demanded, and in the establishment of the principle of a minimum wage.

† While they last, Unions of Agricultural Labourers seem to be as effective as any others in securing improved conditions. But the difficulties in the way of maintaining them are such that it is doubtful whether they have much part to play in the permanent improvement of village life.

‡ For this reason comparative statistics of successes, partial successes and failures of labour disputes give an imperfect measure of the value of Trade Unionism. Disputes, it must be remembered, are the failures of Trade Unionism, and are but partially redeemed by victory. That is to say, it is the business of Trade Union organisation to secure reasonable advantages without fighting, and its real successes lie in this direction. On the whole question of the historical test of the success or failure of the movement much evidence has been made generally available since 1892; yet at the end of their scholarly and elaborate history of the

beaten, but cannot be trampled on and enslaved. So, to put it in the concrete, an Union may fight a reduction of 10 per cent. and lose; but the stubbornness of the battle may stop further reductions which would have stripped unorganised workmen of 20, 30, or 40 per cent. Both sides know this, and hence the seemingly narrow issues on which long and stubborn disputes are often fought.

But mere figures give a very imperfect idea of the effectiveness of Unionism. Just as the best-armed nation does not get involved in war, so the best-drilled, most effective union does not fight because it has no need. It is by the steady pressure of organised opinion, by the delicate tact of skilled negotiators, by the quietly effective ways about which newspapers are silent, that the best work is done. But when we take this quiet and gradual work into account, no one can tell by any comparison of figures what the effect of Unionism on wages and hours has been, because no one knows what wages and hours would have been to-day but for the Unions. It is not enough to compare the state of non-Union trades, for they too have benefited indirectly by the organisation of the others. The mere dread of combination is itself a force, and the employer knows that a sufficient margin of loss teaches the lesson of combination even to the stupid and faint-hearted.

And on the other side many opponents of Unionism would say, "It is easy enough to count up these nominal victories, but are the workers as a whole permanently benefited? Are there not often hidden losses counterbalancing apparent gains?" These doubts rest mainly on a dis-  
 movement, Mr. and Mrs. Webb write:—"To sum up the economic effects of Trade Unionism, we should have minutely to examine, not only the recorded facts as to movements of wages and hours, but also the more subtle consequences upon industrial organisation, the accumulation of capital, and the quantity and quality of commercial brain power," &c. ("History of Trade Unionism," p. 474). The final verdict of the writers in their forthcoming volumes will be awaited with interest. In the meantime we are thrown back on such general considerations as are offered below (p. 17 ff.)

belief in the inherent power of a Trade Union to accomplish anything. From the nature of the case they can hardly be answered by references and statistics, since they suggest that the gains we see are balanced by hidden losses that we know not of. Let us, then, consider *how* Trade Unionism works? What is the nature of the help it gives the worker? In this way I think we shall be able to see how far the above objections have any force.

The isolated worker in bargaining with the employer is almost always at a considerable disadvantage. If he refuses work there are almost always others who will do it. He cannot afford to wait, for he has no reserve to fall back upon. He is like a housewife going to a crowded market with only five minutes in which to make many important purchases. She will have to take the first thing that comes, without pausing to look round for a better bargain. And this has more force the lower we go in the scale. The poorer the workman is, the less he can afford to wait, and the more unskilled his occupation, the greater the crowd of competitors for it. Competition of course may be the other way. The "worker" may himself be sought after. There is a continuous gradation from the great lawyer or doctor who can choose his own fee, and, whatever price he names, will be beset by "employers," down through the mass of professional men and artisans who will wait a bit rather than take a second-rate place, to the crowd of "casuals" who throng round you at a railway station to carry your bag for a copper. The point is, that the further we get below the point of which we spoke above, which we may call the minimum of comfort, the keener the competition, and the worse the position of the worker for bargaining. And his sole source of strength is in union. The Union to him is the machinery by which he bargains. If I have a house to sell I employ an agent because I think him likely to obtain better terms than I could do unaided. In all important transactions, when I have no special skill of my

own, I employ such machinery and such agents as are specially adapted for the work. So the labourer has his work to sell. He cannot sell it advantageously unless he comes to terms with others who have the same commodity to dispose of. Nor does he know the market. Accordingly he forms an union that all sellers of labour may act in concert, and chooses as officials the best experts he can find, appoints them to watch the market for him, and gives them for their advice as to his dealings. In these ways the labourer puts himself on an equality with his employer, the employer being already, as Prof. Marshall has pointed out, an absolutely rigid combination to the extent of the number of workers he employs, and being also acquainted well versed in the conditions of the market and the general business of bargaining.

Now, *prima facie*, we should assume that if a man is a good bargainer he is likely to be better off through life than a bad one. But we are told by economists that wages, being the price of labour, will tend like all other prices to an equilibrium point. This point is fixed, primarily and for short periods, by two things—(a) The demand for labour, i.e., the amount of money employers are ready to spend on hiring labour; and (b) the supply, i.e., the number of labourers seeking employment at the price employers are willing to pay. To the point so fixed, wages will always be tending slowly or quickly. They may never reach it or rest at it, but they oscillate about it as a pendulum swings about the vertical line. Well, let it be granted that in any market prices are all tending to an equilibrium. That will not alter the fact that the least skilled purchasers in that market will get the least for their money, and if there is one class of purchasers less skilled on the average than another, that class on an average will come off worse. Prices will, if you please ultimately tend to the equilibrium point. Meanwhile the inferior marketers will have bought at the high price, or let goods go at the lower. Here they will hasten to pur-

chase when they might have waited for a fall. There they will wait for a fall while the market is in fact rising. We need hardly labour this point. No one will deny that a good housewife makes a shilling go further than a bad one, and no one can reverse his judgment when it is a question of a class instead of an individual.

Let it be granted, then, that wages tend of themselves to an equilibrium, and let it be for the moment supposed that no deliberate action can affect this equilibrium, still, the worker who can bargain well will get the advantages of every turn in the market. It takes perhaps twenty or thirty years for an expansion of demand for labour resulting from some new commercial development to work itself out unaided on the rate of wages. Let us concede (we shall see reason subsequently for withdrawing the concession) that no Trade Union action can affect the rate which wages will arrive at by the end of that time. Yet meanwhile the market might admit all along of the higher rate. The pressure of tendency will not make itself felt for years if the party which stands to win is not in a position to make use of his advantages. A little patience in looking round the market and I might get just the joint I want a penny a pound cheaper. There is a tendency to that price against which the butchers cannot hold out much longer. But if I am not aware of the fact and have not the patience I shall pay the extra penny. So with wages. There may be sufficient "buoyancy" in the labour market to admit of a rise years before it takes place if the labourers are neither strong nor farsighted. Now if there were any tendency in bargaining to right itself this would not much matter. If the very fact that I am underpaid to-day set some law of justice or economic harmony into operation which would overpay me to-morrow, we should cry quits all round and leave the market to take care of itself. But since such harmonies figure only in the Mythology of Early Nineteenth-century Science, it will be readily seen



that to be permanently the weaker in a series of bargains is likely to impoverish you in the long run. If, then, a Trade Union could do no more than merely "anticipate a rise, or delay a fall," and if it did this permanently and continually its existence would be abundantly justified—its effect on the average rate of wages would be a very real one. And there is no need at this stage to suppose that the Union gets the *better* of the bargain, or that it makes "economic friction" work on the side of the employed against the employer. We need not, that is to say, suppose that by combination the worker will get a larger share of the produce than he would as *an isolated worker who should be on perfectly equal terms*, as to acuteness, power of waiting, and the like, with his employer. Nor need we therefore hold that the rate of profit would be lower than it would be under such a system of perfectly free and equal competition. It is quite enough for the Union to prove that it raises wages to the point obtainable by such competition between equals. The fact is that the Trade Union suppresses free competition in one sense, but institutes it for the first time in another. It abolishes the unrestricted competition of isolated individuals against one another which places all at the mercy of the employer, and substitutes for it a combination of men bargaining for employment on free and equal terms.

So far we have dealt only with the effect of combination on the temporary fluctuations of the Labour Market. Considering the Union as the only effective mechanism of bargaining available for the labourer, we have seen that it enables him to take advantage of the various fluctuations of demand instead of allowing these to take advantage of him. Unionism finds the Labour World in the state of a market where skilful dealers are selling to ignorant customers at enormous profits. And just as such a market is revolutionised when the customers become educated and acquire knowledge of goods and their prices, so the old methods of selling the commodity of Labour are all upset by com-

bination. In all this we have assumed with the economists that there is a normal price to which wages tend to return, however violently they may be raised or lowered for a time, and that the Union can have no influence in fixing that price. But the assumption is not accurate because Labour, though a marketable commodity, is not quite like other marketable commodities.

If the price of coals falls and I get them 2s. or 3s. a ton cheaper, the coals are just as good as they were before and perform their function just as well. But if labour falls, say, in an agricultural district, from 12s. to 10s. per week, the labourer does not do his work so well. The labourer's capacity for work—an economic factor of enormous importance on which the present commercial position of the nations of the world may be truly said to rest—varies directly up to a certain maximum with the remuneration of his work. Send a man out underfed and scantily clothed to his wintry toil in the frozen farmyard, and bid him return at night to an unwholesome, dirty, draughty cottage, and as the months go by his mental and physical strength are drained. He becomes spoiled goods, and at last has to be thrown away—into the workhouse. Meanwhile his children are growing up under similar conditions, kept mercilessly alive for a battle they are not fit to fight.

When we get below the minimum of comfort the price of labour has an immediate and cumulative effect upon its efficiency. The further we go below the minimum the more important is this effect—until we reach starvation point. Hence it is clear that anything which affects the reward of Labour for a short period tends to increase its efficiency beyond that period. And the "short period" may be very short. If I take a half-starved tramp off the road and put him to work in my garden, in return for food, clothes, and shelter, for a week, I shall lose on the transaction. If I keep him a second week he will be capable of twice as much work, and I may be the gainer. This is an extreme case.

But on a wider scale, with more far-reaching effects, though in a lesser degree, every increase in wages that are still below the minimum of comfort tends in the same direction. Now it is easy to understand that the efficiency of Labour reacts on wages; for it increases the total produce of the country, and with it, though in a lesser degree, the share that falls to the labourer.\* Granting then that Trade Unionism raises the price of Labour for short periods by enabling it to take advantage of every turn of the market, it follows that it tends to make a permanent improvement in the condition of the labourer by the best of all methods, the improvement of the labourer himself.

What effect must this rise in wages have upon profits? This question is forced upon us not ~~only~~ by general economic considerations, but by the patent fact that in many of the worst paid trades the employers, or some of them, find it difficult to keep their heads above water; and in some cases, as in some of the so-called "sweating" dens of East London, the employer is actually worse off than his half-starved underlings. At first sight this is a paradox. If in the Labour market, and especially in the unskilled Labour market, the advantage in bargaining is almost without exception on one side, profits should be high, and they should be highest where wages are lowest. As it turns out the case is often the other way. The general discussion of this question is a matter for the political economist. It concerns us at present only as raising the question how the employer can afford to raise wages. Must not profits suffer, and will not Capital leave the country?

An increase of wages acts upon profit mainly by affecting

\* The total produce of the country is really the source of demand—you cannot effectively demand labour, whether of employer or employed, until you have the wherewithal to pay for it. How much you demand therefore depends on how much you have. Hence, as economists have shown, the total national dividend is the source of demand for further labour. Hence an increase of production stimulates demand and tends thus to raise the equilibrium wage.

the cost of producing goods for the market. But how an increase of wages will affect cost in any case, and how a change in cost of production will affect profits, is very uncertain. If the higher wage increases the efficiency of the worker,\* cost of production will remain the same, or even fall. Again, a rise of wages may or rather must stimulate demand for goods which workmen consume—in particular for such as they purchase when “times are good,” and go without when things are slack. In these departments increased demand may revolutionise a trade by introducing production on the large scale—a change which, if successful, will greatly lower cost and yet allow of higher wages for the worker. Similar results follow if the rise of wages stimulates the employer to better methods. The first cock-crow sets the whole roost going, and the first awakening in a slumberous business calls forth corresponding activities on all sides, with good results to all parties. Nevertheless, there may be cases in which the increased cost of manual labour does raise the price at which a commodity can be sold with profit. If we are to believe the reports of many of our principal railway companies the agitator† has, by this means largely increased net expenses of many of them in the last few years. Supposing cost of production to be thus increased, what will happen? It is held by some economists that the process will be self-defeating. Capital will leave the country and wages will fall. That this may be the result in extreme cases, and even has been the result in some instances, it would be rash to deny; though we may remark, follow-

\* I neglect the case where one class of workers get increased wages at the expense of another class. As I am considering the case of a general rise for manual workers, such “compensation” could only be at the expense of wages of management or of interest—i.e., it must fall on the employer or on the capitalist.

† The “agitator” is not infrequently attacked almost in the same breath (a) for ruining the employer by causing him to pay higher wages, and (b) for humbugging the workman into thinking that he can get wages raised. But this must be one of the “inner contradictions” of Capital spoken of by Karl Marx.

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ing good authority, that it has more probably come about, if at all, from injudicious disputes \* than from simple increase of cost. The truth is that it is not very easy for Capital to leave the country. There is much Capital that cannot leave the country at all. You cannot summon a Genie of the Lamp to take up the North-Western Railway and deposit it in China. And it would not pay if you could. In most cases the process is one which requires a certain tolerably clear margin of advantage to induce it. To the extent of this margin these profits may be reduced without risk of loss by emigration of Capital. Nor is this all. The Labour movement of to-day is not confined to the British Isles. It is cosmopolitan. The leading country in such a movement is always held back to some extent by the laggards in the rear, but at the same time and with an equal force she is pulling them forward. The movement in each nation helps the progress of the whole. This has always been so. You cannot move your foot without displacing the centre of gravity of the world. Nor can you act for good or evil in one country of the Western world without affecting the balance of forces throughout the rest. But if the correlation of cause and effect has always worked without our knowledge of it, it becomes much closer and more direct when men are aware of it, and deliberately set it in motion. That the feeling of a wider brotherhood is dawning on the leaders of the Labour movement—the working classes of this island—was nobly proved by the warm and generous help given to the German printers in the struggle of 1891. It has been pertinently asked where was the British capitalist in that dispute. He has told us often enough that the cheapness of foreign labour is the one obstacle to better conditions for

\* Trade disputes are in themselves an evil to be deplored, but they may be the lesser of two evils. In any case the common capitalist invectives against them, on the ground that they "drive away trade," are rather double-edged. It takes two to pick a quarrel. The doctrine of "non-resistance"—of passive acquiescence in every demand—must be preached to both sides if at all.

English workmen. Then he had his opportunity. His gold would have won the battle for the German workman and given an impulse to the whole Labour movement on the Continent. Then was the moment to prove his sincerity. But the opportunity was not taken.

Let us concede then that in raising herself England is raising the world with her. The effort is the greater, but the prize the more glorious. At worst the check is one that only operates in certain cases, and even so allows a wide margin. Meanwhile notice a concurrent effect of the improvement in the labourer's condition—the disappearance not of Capital from the country, but of the weaker employer from the field of competition. When wages are low and men's time may be had for the asking, it becomes easier to work a business of a certain kind with profit. Men of moderate or inferior abilities are tempted to one of the most difficult of games—the management of a modern business concern—by the ease with which the pawns are moved. There are hosts of businesses struggling on with no profit to worker, manager, or consumer, and which are much better put out of their misery. The natural refuge of these weak business concerns is the weak and underpaid workman, and accordingly competition—though continually eliminating them—does not even so do its work fast enough. The fixing of a minimum wage destroys employment of this kind, to the great ultimate gain of all classes.

I conclude that the argument from the "self-defeating" process is substantially unsound and unimportant. A rise of wages has a diverse effect in different cases; but—to sum up the discussion—low wages save for the moment, but are uneconomical in the long run. Hence they are the refuge of the weak employer, who lives from hand to mouth. Raise the rate and you eliminate this class of managers and bring grist to the mill of the stronger men, who can pay the higher rate and make as good a profit as before.

But on the whole subject of the effect on trade of the

Unions, and the improved conditions for the worker which, directly or indirectly, they have brought about, no one is better entitled to a hearing than Mr. Mathers, M.P. :—

“ We employers owe more than, as a body, we are inclined to admit to the improvements in our methods of manufacture, due to the firmness and independence of trade combinations. Our industrial swiftness and enterprise are the envy of the world. The energy and pertinacity of Trade Unions have caused Acts of Parliament to be passed which would not otherwise have been promoted by employers or politicians, all of which have tended to improve British commerce. And it is worthy of note that this improvement has gone on concurrently with great and growing competition of other nations, owing to the development of their own resources. The enormous production of wealth in Great Britain during the present half-century, which is due to natural resources and the labour and skill bestowed upon their development, has grown most rapidly during a period remarkable for the extension of the power of Trade Unionism. Prosperity beyond the dreams of avarice has followed in the wake of our industrial habits and customs, and these have undoubtedly been largely promoted by the great labour organisations. . . . Every intelligent employer will admit that his factory or workshop, when equipped with all the comforts and conveniences and protective appliances prescribed by Parliament for the benefit and protection of his workpeople—though great effort, and, it may be, even sacrifice, on his part has been made to procure them—has become a more valuable property in every sense of the word, and a profit has accrued to him owing to the improved conditions under which his workpeople have produced. . . .” And speaking of the importance of permanence and stability in a trade, he adds :—

“ The keen interest they feel in seeking to secure permanence and progress in the trade they pursue has been strikingly shown by the fact that Trade Unions have agreed to reductions of wages, advocated short time, and offered many

suggestions involving sacrifice on the part of the workers, in order to stem the tide of temporary adversity."\*

Perhaps a majority of employers might be quoted in an opposite sense, but when Saul also is among the prophets he is worth a thousand voices of the other side.

So far we have studied Trade Unionism as it actually works. We have seen that it regulates the conditions of employment in the interests of all the workers. It puts the manual labourer on an equality with his employer in arranging terms, and accordingly it raises wages and diminishes hours of work. It effects general economy by eliminating incapable employers, and by raising the standard of comfort among workmen it is not only a direct benefit to them, but, by making them more efficient agents in production promotes the general health of the national industry.

If now we ask what hope there is that Trade Unionism may succeed in establishing what I have called the minimum of comfort for all workers, we shall recognise by far the greatest and most palpable obstacle in the present weakness of Trade Unionism itself. The competition of non-union men, and the mistaken policy and narrow interests of some of the Unions themselves, keep the movement back far more than any inherent weakness in the principle of Unionism. These obstacles are, however, being gradually overcome by the spread of moral and economic education among workmen, and by the consolidation and federation of Unions. The federal principle has the special merit of overcoming sectional antagonisms and the tendency to a narrow corporate spirit. The larger Unions are in a position to choose abler men to administer their affairs. They are not wont to precipitate expensive disputes, and they command the respect which is necessary as a basis of negotiation; and as different trades act together it becomes increasingly difficult to deal with them by bringing in outside labour instead of by an open

\* Article on "Labour and the Hours of Labour," in the *Contemporary Review* for November, 1892.



and honourable discussion of difficulties. The first step then for Trade Unionism is to extend and perfect itself as a moral, educational, and economic movement. These three aspects of it are in practice inseparable, and the main immediate hindrance to its achievement of its true ends is the imperfection of its own internal development, an imperfection which its leaders are making every effort to overcome.

The tendencies set on foot by Trade Unionism itself will help it whenever wages are below the minimum on which the worker can best develop his powers. I mean the economic advantages already explained of raising wages to this minimum. If the Unions were fighting against a continual and ever-increasing economic pressure, one might doubt the permanence of their success. But to a certain point their work gets easier as it goes on. The second advance is sometimes more easily won than the first. This holds just as long as wages remain below the minimum of comfort. Up to that point at least a rise of wages really pays in the long run.

Lastly, we have been assuming all along that the Union has to fight the employers and the public at every step. This would once have been practically true, but it is true no longer. Even as regards private concerns the education both of Unionists and of their employers has improved of late years, and the employer has come to see that it "pays" in the long run, not only from the humanitarian, but from the business point of view, to employ Union men on Union conditions. Still more fundamental is the change in public feeling. The growing inclination of public bodies and co-operative societies to pay Union rates marks a new era in the history of Unionism. It is the beginning of a definite system of fixing wages by the moral sense of the community. The rate on which the Unions, the ratepayers, and the best employers agree has moral as well as economic forces at its back, which the inferior employer cannot long

resist. As to the justice and desirability of backing the Union, no one who holds the diffusion of the means of the elementary comforts to be the first object of an industrial system can have any possible doubt.

But it is not only direct help that the Unions require. Admirably as they fulfil the elementary functions of the organisation of industry, there are limits to their work. Let us now consider these, and inquire what further organisations are necessary to get over them and to supplement the efforts of Trade Unionism and complete its work.

When manual labour is cheaper than machinery, under a system of free competition manual labour will be employed. Conversely, if by any chance machinery in any occupation becomes cheaper than manual labour, employers, in the absence of any artificial restraint, will dismiss workmen and set up machines. Or, if machinery be not available, an increase in the price of labour may lead to retrenchment by some other method of substitution. A better class of workmen, for instance, may be found in order that the same amount of work may be done by fewer hands. Hence the increased wages of those who retain their work may tend to throw the less capable labourer out of work altogether. This is a possibility which must be faced. Now, first, let me boldly say that if there is no remedy for it the thing must be done. It is better that three-fourths should earn a decent living and the remaining fourth be left to private charity than that all should struggle with starvation together. It is a terrible alternative, but the better of the two. But, secondly, the thing need not be. The starving remnant want food, clothing, and shelter, and they have muscles and sinews. To set them to work to supply their own demands, or their equivalent, must be possible. It is not that there is a surplus population. It is not that there are too many workers for the demand; for there is also too much demand for the commodities supplied. The very same persons who could supply the work stand also in need of the products of

work. There is demand for the products of work on their part, but ineffective demand: there is capacity for supplying work, but ineffective capacity. Why ineffective? Why do the worker and his work call to one another over a gulf they cannot cross? Largely for want of an organisation connecting producer and consumer, and setting men to work to supply all needs. Now such an organisation must be found, and the road to it lies through the control of industry by consumers.

We see here the necessary supplement to the Trade Union movement. The need for some such supplement becomes even clearer when we consider the whole function of Trade Unionism in the distribution of wealth. We have seen that its object, after regulating the conditions of industry, is to fix the minimum wage for the worker at an amount which will enable him to attain his full development and to bring up his family in a corresponding way. It thus secures the primary condition of sound economics—"fair" remuneration for the worker.

But there are other social needs not to be met in this way. In dealing with incompetency we have already, in principle, discussed the support of the helpless, the old and the infirm. This burden falls on the workers in one shape or other at the present day, and will continue to do so until a perfected individualist philosophy pushed to its logical conclusion has persuaded us to dispose of these encumbrances by the more primitive and drastic method of putting an end to them when most convenient. Pending the application of this theory to practice, we have to regard the support of those who produce nothing because they are unable as a charge upon the community. It might indeed be met, in the main, by a sufficient rise of wages all round, but such a rise could hardly be obtained within any reasonable time by Trade Union action. Besides, experience has shown that we cannot safely leave the helpless to the care of individuals—unless we wish to punish them because they are helpless. The

burden is a national one, affecting Society as a whole, for all have been young, and all are liable to the misfortunes of infirmity and old age. We are all of us therefore at one time or another a burden, economically, upon Society; therefore, we ourselves, as Society, have better meet the burden. Directly or indirectly the charge must be defrayed out of the surplus left in the pockets of the nation after the maintenance of the producers has been met; and experience shows that it had better be met directly, by a national or municipal tax. There are, further, many things essential to public health, or useful for the general culture or enjoyment, which can be more efficiently carried out by Society collectively. I need not run through the list of these, but merely mention them here as a class of objects which will make increasing calls upon the public purse.

By merely fixing wages at a suitable amount we do not provide for all these needs. But, the rate of wages being given, there is a considerable surplus of wealth which at present goes into various private pockets in the form of Rent Profits or Interest. It is only by drawing on this surplus, it would appear, that Society can meet the demands upon it. The mass of the surplus can never be touched by Trade Unionism, nor should we desire it otherwise. If here and there a strong Union wrests part of his large profits from an employer there is no gain to the community at large. There is much profit to a certain body of workers who are thus put at an advantage as compared with others, instead of still greater gain for a single man. But there is no broad collective gain, no improvement of the general economic condition. A bit of profit has been transferred from one pocket to some scores of pockets, that is all. And from our point of view at least, movements to the enrichment of a few are worthless. Trade Unionism then neither can nor should aim at securing profits for the workers. By doing so it will fail in nine cases out of ten, and in the tenth succeed only in creating a small class of workmen-aristocrats. Its legitimate

function is to settle the hours and condition of work, and the general minimum rate of wage.

The movements that are to supplement Trade Unionism must accordingly satisfy two conditions. First they must "correlate" demand and supply, and obviate the present waste of work on one side, and human life on the other. Secondly, they must place the surplus of wealth remaining after the producer's claims are "fairly" satisfied at the disposal of the community for the common use. We have now to consider the methods by which this is being attempted.

## CHAPTER III.

### *THE AIMS AND METHODS OF CO-OPERATION.*

IF Trade Unionism represents the control of industry by communities of workers in the interest of all as workers, Co-operation is the system by which production may be organised wholly or in part in the interests of the community as consumers. Let us ask then what Co-operation is doing, and can do, in the way of regulating production, and making a fair distribution of surplus wealth.

First, as to the power and growth of the Co-operative movement. We have not here to tell again the twice-told tale, but merely to recall half-a-dozen figures to show that whatever be the precise economic value of Co-operation, it is a great and growing power to be reckoned with, and that whatever it can do it probably will do on an ever-increasing scale.

Not to go back to the days of infancy, there were, in 1862, 440 co-operative societies known to exist in England and Wales, with a membership of 90,341 persons. Their sales in that year amounted in round numbers to £2,330,000. They made a profit of about £165,500.\* In 1890 there were about 1,303 societies existing in England and Wales, of which 1,092 made returns published in the report of the Co-operative Union. These 1,092 societies had a member-

\* These figures are taken from the evidence of Mr. J. T. W. Mitchell, Chairman of the English Co-operative Wholesale Society, before the Labour Commission.

ship of 883,000, sold goods to the amount of £33,000,000 during the year, with a net profit of £3,200,000. In addition there were 333 societies in Scotland, with a membership of 171,000, bringing the total membership of the Co-operative State to something considerably over a million persons.\*

Confining our view to England and Wales, we see that in less than thirty years the co-operative population has increased nearly tenfold, its business nearly fifteenfold, and its profits almost twentyfold.

We have now to ask, What is this great movement doing for the interests we have at heart? What is the economic significance of Co-operation? In most industries at the present day the production of any article is left to any one who chooses to undertake it. A man makes soap, or cotton, or clothes, not because he wants to use all that he turns out from his mill or workshop himself, nor necessarily because some one else who is going to use them has ordered them, but because he guesses or calculates from the general state of the market that some one or other will buy what he makes. The case is not much altered when the actual manufacturer produces for a middleman. The middleman is not a consumer, but an agent in production, and when the speculation and the risk is not undertaken by the maker of goods, it is merely handed over to the merchant, whether he be the large wholesale dealer or finally the shopkeeper. The modern system of commerce, then, will not be greatly misrepresented if we figure it as being carried on between two individuals, A and B, in such a way that A, without consulting B, guesses at what B will want, and spends much labour in making it, B meanwhile doing the like for A. The natural consequence is that when A and B come together to exchange their goods they do not find themselves altogether suited. For example, instead of A making hats for both, while B made boots, it may have occurred to

\* See the Report of the Twenty-fourth Annual Co-operative Congress, 1892, p. 186.

each of them to make hats. The result is that they will have four hats between them and no boots, and severe commercial depression will ensue. The superfluous hats will be worthless, and both A and B will go barefoot. Now this is just what happens on a large scale in England to-day. Production is for the most part unregulated. There is no systematic attempt to get what is necessary and good for the community produced, neither more nor less. On the contrary, every man produces what he thinks some one will give a good price for, and if many other people have been thinking the same thing there will be a glut in the market. And hence the paradox of modern industry, that plenty is the cause of starvation.\*

Now, if we go back to A and B we may hope that they will learn wisdom from experience. They have but to take a very simple step. Instead of retiring each to his own abode to work apart, they have merely to consult with one another as to their respective needs, and set about to help one another in supplying them. Instead, then, of A making something that he thinks B will buy, with a view to profiting on the exchange, while B works similarly for his profit, A and B will now work together, create a joint product, and share it between them—in other words, they will co-operate; for this is precisely what is effected by the co-operative store. Instead of leaving it to individual millers, and shoemakers, and grocers to supply their needs and make what profit they can, co-operators undertake to

\* It was at one time contended by economists that permanent and general over-production is an impossibility. This is probably true, supposing the machinery of exchange—social and material—perfected. Meanwhile, nothing prevents continual and repeated over-production in many departments of industry at once, over-production being understood relatively to the existing effective demand. From the point of view of good economic organisation there is over-production whenever the price is too low to allow adequate remuneration for producers, whether employers or employed. Such a contingency is not only possible, but frequent, the low price continuing for considerable periods, and varying according to circumstances, i.e., according to the ease with which demand for the article expands, or the supply of it gets contracted.



supply their own needs, or to direct others to do so. Co-operation accordingly represents the organisation of industry by a community of consumers in the interest of all as consumers. As such it is the natural supplement to organisation by producers.

Now a Co-operative Society, like a Trade Union, is primarily an association of some of the residents in a particular town or village. As such its scope and influence on the regularity of industry and the distribution of wealth are necessarily limited and partial. It is for one thing almost entirely confined to the business of shopkeeping. It is thus a partial regulation of one form of industry in the interests of a small group of consumers. A wider future opened upon co-operation when the Federal principle was introduced. What Federation will do for the Trade Union movement has yet to be seen. What it has done for Co-operation is clear. It has transformed an aggregate of isolated and comparatively petty shops into an almost national organisation, undertaking wholesale production and distribution\* on a scale large enough to form an appreciable fraction of the commerce of the country, and linking a million men and women all over the island by a common interest. Through the Federal principle then Co-operation and Trade Unionism are growing to be modes of national organisation, and it is only as their development in this direction grows complete that they take their true place as methods of the collective control of industry in the interests of the nation as a whole.

The Co-operative Society, according to our analysis of its principle, is a community of consumers, undertaking, through their committee and officials, to provide the goods they require for their own use. They find the capital and

\* The two great wholesale societies exist to supply the Retail Stores. They are in fact associations of which the local societies are members. The English Wholesale had, in 1891, a membership of 966 societies, and sold goods to its members to the value of £8,900,000. (Evidence of Mr. Mitchell, p. 8.)

direct the management, and we have thus a form of the control of production by consumers.

This fact has been in some degree obscured by the tendency of the movement to concentrate itself upon that form of production which is known as retail trade. Many people would hardly consider the retail trader as a producer at all, and are puzzled by the inclusion of shopkeeping among the branches of production. Of course, this is a pure mistake. Everybody is an agent of production who assists in conveying goods to the consumer. The baker's boy who brings my bread round in a cart to my house is no whit less a producer of my bread than the baker who makes the loaf, or the seamen and railway men who carried the wheat from Colorado. What I want is not wheat that is in Colorado, nor bread that is in the bakery, but a loaf on my table, and every one who has assisted in making the loaf out of its original material, and in bringing it to my table, is equally an agent in the production of the loaf which I require. But furthermore, Co-operation is no longer confined to retail trade. It not only, as above shown, does a large wholesale and therefore also a large transport business, but it is steadily extending itself to manufactures of various kinds. Here, then, we have a vigorous and growing movement based on the principle that the customer sets the producer to work, and regulates his industry through his committee. That is, we have in essence the machinery for correlating demand and supply, and thus doing something to mitigate the fluctuations of trade, from which all classes suffer so much.\*

\* This result cannot indeed be expected on any great scale until a far larger proportion of the trade of the country is conducted, in one form or another, on co-operative lines. But the tendency is already evident. Both Mr. Mitchell and Mr. Maxwell (Chairman of the Scottish Wholesale Society) dwell on this effect of Co-operation. Mr. Mitchell (Evidence, p. 13) expressly attributes the greater continuity of work for the Co-operative employé to the fact that "we have an organised market for our productions." Mr. Maxwell (Evidence before Labour Commission, October 25, 1892, p. 267) says that, owing to the steady increase of trade, "workmen

Secondly, the profits of co-operative enterprise (though ultimately distributed on a scientific principle) are primarily communised—loss and gain affecting directly the whole co-operative community. Let me repeat Mrs. Webb's explanation of this. At the co-operative shop you pay, in the first instance, the ordinary market price for your purchase, and you receive in return a tally for the amount of your payment. At the end of the quarter you send in your tallies, and the available surplus for dividend having been determined, you receive a share of it proportionate to the amount of your purchases as guaranteed by your tallies. To some people this looks like a mere clumsy way of giving to you with one hand and taking away with the other. "Why not lower prices at once?" they say. Others have attached importance to it as a means of encouraging thrift by putting people in possession of two or three pounds at once, instead of saving for themselves on each purchase. But the fact is that this simple device has succeeded in communising profit and dividing it scientifically among the members of the community. A society of consumers has undertaken production. All the producers being paid, cost of production, including management, being met, there remains a surplus. This surplus would be a profit if the community were selling to outsiders. But they are selling to themselves. The surplus therefore remains in the hands of its original possessors, and is ultimately, with the exception of such part of it as is reserved for collective purposes—educational or provident—distributed among all members of the society on a definite principle. Thus the

and workwomen have almost a certainty of constant employment in the Society." In the clothing factories, he says, "during the slack season we are so certain of an outlet for our productions, we make up larger stocks, thus giving employment all the year round." There is, again, a confidence in the relations of the Wholesale Society and its customers, which prevents injury from the small accidents of commerce, and tends to stability. And this result would be more marked if Co-operative trade were less common in the market than it is at present.

whole community gains and loses together, and not at the expense of one another.

Hence, thirdly, "Profit on Price," profit properly so called, is not communised, but abolished. The surplus of the value produced over the cost of production passes to the community—the producer's surplus is communised. But there are no separate business establishments effecting exchange, and therefore no profit. Hence competition for profit disappears.

Thus the Co-operative Movement admirably achieves all that is required of the collective control of Industry in the matter of directing Production, communising the surplus, and accordingly restricting competition. And with every stage of its growth the movement will become more effectual in each direction. The Federal principle is gathering the isolated Co-operative Societies together into a great whole of almost national extent; so that when we speak of the Co-operative community, we no longer mean a small local group, but a million of men and women in all parts of Great Britain. The Co-operative community is becoming a mode of national organisation, with results of national importance.

It may, nevertheless, be objected to Co-operation that, fast as it may grow, it can never absorb the whole of our industry. Perhaps not; but meanwhile the Co-operative principle can at this moment be still more rapidly extended in another direction. There are many things which practically *all* the members of a community require. Such are security to life and property, good roads, means of conveyance and communication, light, fresh air in open spaces, water, and the rest. And as to these, notice that demand is very constant, and people are very nearly unanimous as to the *quality* of the article desired. There is little room for variation of taste in the matter of drinking-water, or even railway travelling. In these cases, then, where all, or nearly all, people require a commodity; and where indi-

viduals do not differ much in their tastes, a different form of co-operation has been growing up. I mean the co-operation that makes use of legally established machinery. The dwellers in any thriving town which provides itself through its corporate government with the requisites mentioned, are, industrially considered, members of a large co-operative society. They find that as a body they have certain needs in common; they direct their servants, the mayor and the councillors, to make arrangements to supply these needs, and they raise the "necessary capital" by a rate upon themselves. This is Co-operation, or, if you prefer it, Socialism. On this side the two ideas are one. In each case the persons who are to use the product set the producer in motion, and determine the quantity and quality of the product.

In this, as in voluntary Co-operation, we have the community of consumers directing production; we have a surplus over the cost of production, which can be used for collective purposes in improving the locality; and for this area of industry once more we eliminate "profit on exchange" and competition for profit. Here we have one-half of the case for a "progressive" municipal policy. It is simply a step to the collective control of industry in the interests of all. And it differs from voluntary co-operation solely in the employment of legal machinery—a difference justified by the nature of the commodities provided.

It remains only to be pointed out that the State and the municipality differ primarily in size; and if the dwellers in a municipality may with advantage co-operate for producing what is needed for their town, a whole nation may, with equal advantage, set its central government to work for things pertaining to the country as a whole. Thus if we municipalise tramways, we may with equal reason nationalise railways. It is commonly urged that a State department is a bad manager. This may be so in certain cases; but there is no need for it to be so. In the Post Office, for example,

we have one of the largest business organisations in the country conducted, on the whole, cheaply and efficiently, with a large profit to the nation. And this is not the only point gained by our "socialistic" postal system. Suppose the service handed over unconditionally to private companies, we should have tremendous competition for the mails between large centres and in busy, populous districts, together with high tariffs or perhaps total neglect in outlying places. The uniform rate, which is the making of the Post Office as a national institution, would go, and with it the means of uniformly cheap and speedy communication, which at present unites friends and kindred the whole country over. Of course, at the same time, the profit which now goes to meet the general expenditure of the nation would pass into private hands. In general, it may be held that the State will manage a business well if the public at large are immediately and directly interested in its management. If the military and naval departments are badly administered, the public has its own want of interest in the matter to thank. Work will not be well done, as a rule, unless those for whom it is done keep awake.

Put the municipality in command of that which is municipal in extent and the nation in control of that which is national. In this way the principle of control by the body of consumers proceeds most easily and speedily by several converging roads. And on each method the effects are the same. We avoid the waste and friction at present involved in the adjustment of demand and supply; and we put the surplus revenue into the pockets, not of individuals, but of the community. Lastly, we introduce a new spirit and a new principle into industry.

Those who at the present day carry on business for personal profit or wages, are unintentionally performing a social function of the first importance. I say unintentionally, because, as things now stand, neither employers nor workmen exercise themselves much, as a rule, about

the social usefulness of the commodity they are producing or distributing. For them the one thing needful is to find sufficient purchasers, and the true commercial spirit cares little for the destiny or usefulness of the commodity it has produced when the sale is once made. Of course there are honourable exceptions to this rule. There are men who would rather starve than engage in a socially noxious traffic of any kind, and there are many who would bear considerable loss rather than turn out an unsound article. Nevertheless, the difficulty of stirring any social feeling against trades, or forms of conducting trade, which cost the lives or impair the health of millions, is a sufficient evidence of the fact that, however important be the actual function subserved by producers under an individualist system, the performance of that function is not the motive of production, and, certain honourable exceptions apart, bears no relation to that motive at all.

Since, then, the all-important work of supplying the material and other needs of society is left to nature or to chance, there is little need for wonder if the said work is ill performed. Nor is it of the slightest use to hurl denunciations at the head of any particular class at present engaged in production. If over-pressure of work alternates with enforced idleness; if 50 per cent. profits are found side by side with ruin; if shoddy or adulterated goods fill the market, society has no one but itself to blame. It countenances and upholds a certain system—or rather absence of system—and it must take the consequences.

The reform needed, then, is a quite different method of producing wealth. We want a new spirit in economics—the spirit of mutual help, the sense of a common good. We want each man to feel that his daily work is a service to his kind, and that idleness or anti-social work are a disgrace. This new spirit, and the practical arrangement for giving it effect, we have seen growing up from small beginnings, with many drawbacks and limitations,

in the movements here reviewed, and we see accordingly in their development the best hope for the immediate future.

But now, supposing this control of industry by consumers completed, with all the results above enumerated fully realised, what guarantee is there, it may be asked, that the worker will be adequately paid or good conditions of work secured? We may steady trade, and so increase our total product, and we may communise our surplus; but all without adequately remunerating the worker. This is particularly obvious where the communities of consumers and producers are not the same—i.e., when men consume who do not produce. Take a co-operative society employing workmen, shop assistants, &c. These employes need not be members of the society, and if they are, they may be a very small minority. What is to safeguard their interest? How can we be sure that the society will not be as anxious to increase the common profit at the expense of the workers as an ordinary Joint Stock Company, which would rather see its men work eighteen hours a day than abandon  $\frac{1}{2}$  per cent. of its dividend?

There are two answers to this. First, the spirit of co-operation is opposed to "sweating" in any form. The movement never has been, and never can be, worked by mere "dividend hunters." It rests on public spirit and the sense of community; and the co-operative community is not a narrow corporation, such as fosters sinister interests, but is as open as the air to all dwellers in the land. Hence co-operators have, in more than one instance, taken a leading part in reforming the conditions of employment. Thus in thirteen large societies in Oldham, the hours worked by employes in the shops average, according to Mr. Hardern, 56.16 per week\* (exclusive of meal times). The same authority estimates the average for ordinary shops in Oldham at 70 hours. The south country stores do not quite

\* Evidence given before the Shop Hours Committee. *Report*, p. 208.



reach the Oldham level; but the average hours for the whole number of societies investigated by Mr. Hardern come to 57 per week, or  $9\frac{1}{2}$  per diem. And in Northumberland certain stores have already instituted a 48-hour week. Thus the Northern Co-operative Societies are becoming the pioneers of the eight-hour day for shop assistants, just as they led the van in the weekly half-holiday movement thirty years ago.\* No doubt there have been disputes, and even strikes, in the co-operative world. Disputes are "common to the race." Common also is the black sheep, and no doubt there have been black sheep among co-operative societies regarded as employers. Meanwhile, the growing alliance with Trade Unionism will strengthen the hands and back the eloquence of every co-operator who pleads for dealing out the measure of justice and generosity to those in his employ which he himself as a workman demands from his employer.

What is true of co-operation proper holds also of the other forms of "compulsory co-operation." The mainspring of the new municipal activity is the desire to brighten the life of our towns, not outwardly alone, but in the homes of the people. The force behind the movement is the belief in it as a means, not merely of supplying gas and water cheap, but of raising the condition of the worker. Hence the demand that Trade Union rates should be paid, and Trade Union conditions observed in all municipal works. While this spirit lasts in the Co-operative World and among the leaders of reform in our municipalities, there is no fear for the future of either movement, or of the workman under them.

But, it may be urged, this is all very well for the present, and will be all very well as long as the movement is in the hands of the enthusiasts. But what guarantee is there of permanence? There is nothing in the constitution of the Co-operative Society as such to safeguard the worker. Just

\* *Op. cit.* p. 209. Cf. a Report by Miss L. Harris on the Conditions of Women working in Co-operative Stores in 1895, which, however, shows far less favourable results in the matter of wages.

the same holds of the municipality and the State. The tramway men may be voters, but they form altogether a tiny fraction of a municipal constituency. What, then, is to prevent the majority from combining to oppress them. Here, then, is the second answer: The Trade Union. Here we have the natural organ for expressing the interests of the working community—an organisation separate from the society of consumers, and resting on a different basis. I do not mean that all is at once settled when we have a strong Trade Union. We may in the future have disputes between Union and Union, and, as I have already insisted, we want definite ethical principles to form the ultimate standard of appeal. But I mean that the Union is the needed supplement to the other forms of the collective control of industry. Even when all work as well as eat, our interests as consumers, as purchasers of labour, will not always be identical with our requirements as producers or labourers, and we want the appropriate organisations to represent each interest and provide an amicable and just settlement of differences. In the last chapter we saw that control by consumers was the necessary supplement to Trade Unionism we now see that, conversely, Trade Unionism, or the control by the producer, fills the gap left by Co-operation, voluntary, municipal, and national.

We shall now be better able to take a general view of the different forms of the Labour movement and see what unites them. It is not only as to ultimate ends that they make common cause. That a better distribution of wealth and a higher tone in business enterprise are both desirable would be agreed by many people who are neither Trade Unionists nor Co-operators nor supporters of State Socialism in any form. Many benevolent and philanthropic people see and deplore the evils of the existing state of things without joining any of the three movements in question. What really unites these movements is the general character

of the means they adopt for the furtherance of their ends. In one form or another all three alike are introducing the principle of the collective control of industry by the community in the interests of all its members. They are seeking to replace competition and the forces of individual self-interest as the arbiters of industry, by a deliberate and systematic arrangement of labour and commerce in the best interests of society as a whole. They are all at present in an inchoate or incomplete condition which, to some extent, disguises this common character, but this none the less expresses their essential tendencies and the secret of their life and vigour.

Within its own sphere, and so far as it is able to carry out its objects, the Trade Union entirely supersedes free competition between individuals actuated by their own interests as the controlling force of industrial life. Where the Union is strong the individual workman is powerless against it. He has to conform to its regulations as to wages, hours, and conditions of work, no matter how much better a bargain he may think that he could drive on his own account. It might pay him on occasion to take work below the standard wage, but the Union will prevent him. He may be able to work beyond the regulation hours without injury to himself. He is forbidden by an association of men of average strength. He might be willing and able to take risks which others shun, but it is not allowed him. In every direction he is limited and confined. It matters not in the least that the compulsion is not put upon him by the law or any legally constituted authority. His "liberty" is "interfered with" every bit as much wherever the Union is sufficiently strong for the purpose. He has to learn the lesson that a man must put up with some losses and inconveniences for the general good of his neighbours. He is confronted with the authority and power of the judgment of the community as to its common welfare. The community is here not the state, but a body of workers, and its

decisions are enforced, not by officials in uniform, but by duly appointed committees and officers taken from the ranks of the workers themselves. But the principle of common action for common good imposing limits on individual action for personal good is apparent here, just as it is apparent in every law passed by the Houses of Parliament.

There is, however, an important difference. Parliament represents, or should represent, the people as a whole. The Trade Union represents a certain section of the people, and hitherto these sections have been relatively small and isolated. This accounts at once for the comparative weakness of the Union's authority and for the sectional interests by which it is sometimes dominated. The true principle of the collective control of industry means a control exercised, if not by the whole nation, yet in the interests of the whole nation. No other is either desirable or permanently practicable. The Trade Union then sins against its own vital principles when it lays down rules in its own interests to the damage of the public, just as Parliament abrogates its own moral authority when it passes a law in the interests of a class to the detriment of the commonwealth. Now while the Union is confined to an isolated trade or locality, it is particularly liable to this weakness. But in the great national Unions of to-day, very diverse interests of many localities have to be weighed against one another, and the merits of disputes may be adjudged coolly and dispassionately by persons living at a distance, and responsible to many other branches than the one affected. In this way the sectional character of Trade Unionism grows less and its decisions grow in weight, deliberateness, and power. This process would be greatly furthered by the development of the Federal Principle, which hitherto has made little headway.\* Federation no less than Amalgamation enlarges, and therefore strengthens, the basis of Trade Union action. It removes the narrow-

\* Cf. Webb, "Trade Unionism," pp. 340 ff., and 407, 408.

ness and pettiness, and the tendency to foster sinister interests which were almost inseparable from the original form of Union, while it gives free play and full encouragement to the broader public spirit which recognises the true identity of interest for all workers.

And there is nothing to regret in the course which the development of Unionism has taken. Regarded as a moral and educational force, it has begun quite rightly with the elements of the subject. It starts with the workshop and teaches the doctrine of fellowship and brotherhood for all who work at the same bench. The lessons of public spirit and public action are thus first learnt by the Trade Unionist in relation to the comrades with whom he is actually associated in his work and daily life. But the training once perfect, the principle is easily applied to a wider area. He who is faithful in small things will be faithful also in great, and he who loves and will serve his brother whom he hath seen will learn to aid his brother whom he hath not seen. This is working from the base upwards—there is no other safe method. Just as the Trade Union represents the limitation of each man's freedom by the whole body of workers, so it depends for its very existence on the loyalty of each member to the common cause. Every advance in Trade Unionism involves a progress in the intelligence and public spirit of the workers. No Union can exist unless the mass of its members are prepared for mutual help and forbearance, unless they have unlearned the lesson of self-seeking and are ready to make sacrifices for the good of all.

Trade Unionism, then, as it grows and broadens, introduces little by little a new spirit into industry and becomes the means of regulating it in the interest of the working community. And as in a healthy community all are workers who are capable of work, the interests Trade Unionism considers are those of the community at large. It is of course a mere vulgar error to regard the principle

of Trade Unionism as limited to manual work. The majority of the learned professions form closer Trade Unions—either voluntary or supported and incorporated by law—than are yet to be found in the world of Labour. It is true that these Unions of professional men leave much to be desired in their constitution and regulation. It is true that, alike in narrowness and selfishness of aim, and in hide-bound adherence to tradition, Trade Unions like the Bar rank far below the average Society of manual labourers. But there is no reason why this should always be so. On the contrary, there is every ground to hope that the public spirit so rapidly growing among manual workers will spread with increasing rapidity through other occupations and turn professional regulations to the general benefit at once of the profession and the public.

We have already tried to show that, as Trade Unionism represents the control of industry by the body of producers, so Co-operation represents the control by the body of consumers. So far as its influence extends, it supersedes the anarchy of competition, introduces steadiness and continuity of employment, and secures the enjoyment of the surplus product for all who join in promoting it. Like Trade Unionism also it rests on the public spirit of its members, and their readiness to sacrifice personal profit for the common good. It controls industry, so to say, from the other end, and hence its action is complementary to that of the Unions, securing for the community as consumers the benefits which as workers they could hardly obtain.

Now both the Trade Union and the Co-operative Society are voluntary associations of men consciously formed for securing certain common ends. But if we inquire a little more deeply than usual what the State is, why it has come into being, and what justifies its existence, the answer must be that the State also is an association of all the dwellers in a country, an association that has no doubt grown up unconsciously, but which has grown because it has secured

certain valuable results for all its members. And in the democratic state we get the true principle of association clearly worked out, namely, that all citizens shall be called on to serve the common weal, and, on the other side, that the State shall serve not the interest of the Few, nor even of the Many, but the interest of All.

Like the State, the municipality is a kind of association, but exercising a more limited authority over a smaller area. And the difference between the State or the municipality and other associations formed by men, is mainly that to these two every man living in a given locality *must* belong, whether he likes it or not. He must support them by his contributions and he must submit to their authority. In the case of the Trade Union or Co-operative Society he need not belong to the Association unless he chooses, though, at least, in the case of the Union, he may often be controlled by the common power notwithstanding that he denies its authority. That the Union is a voluntary association makes no difference whatever to the reality of the control which it exercises over individuals; nor does it diminish by the jot the sternness of its "interference" with the "liberty of the subject" when the said liberty is judged hostile to the common good. The apostles of liberty in the abstract—of the right divine of all men to do wrong—would be perfectly logical in attacking the Trade Union just as much as the "Progressive" municipal policy. And conversely those who believe that the collective control of industry is necessary to the economic welfare of society need trouble themselves little as to the name of the body by which that control is exercised.

This much being premised, it is clear that the progress of what is often called Municipal Socialism, but might just as well be called municipal life, is simply the growth of the collective control of industry under a special form. Municipal Socialism aims, as we have seen, at a special kind of Co-operation—the Co-operation of all the dwellers in a district

—to supply themselves with their common requirements by means of certain legally constituted machinery, and enforcing their decisions by legal powers. In doing this, of course, they interfere with the liberty of the individual. An individualist philosopher may not want to wash, but must pay his water-rate all the same. The majority who do want to wash, enforce an equal rate of payment on the unwashed minority. Tyrannical, perhaps, but necessary. Grant that washing is generally desirable, and that the means thereto can be most efficiently and economically provided for the dwellers in a town by the collective action of the town involving a contribution from all members of the same, then the anti-washing minority must submit. This is no new principle. It is a principle as old as human society. The weakest tribe of bushmen could not hold together, unless the interests of the tribe as a whole were preferred in some degree to the interests or desires of individuals. What is new, in modern applications of the principle, is nothing but the wider and deeper conception of the welfare of society.

The municipal control of production, then, is analogous in principle, and results to ordinary Co-operation, and has, as I have tried to show, a peculiar and appropriate sphere of its own, in which Co-operation has shown no tendency to get a footing. And as with the municipality, so with the State. There is no reason why the railways, or any other business of national magnitude should not like the Post Office, the National Defence, and the Coinage, be undertaken by a committee sitting at Whitehall and representing the whole nation. To certain forms of production, this mode of control is most appropriate, while to others it is entirely unsuited. But after all, the main function of the State in industry, as in all other things, is to be the supreme regulative authority. Every lesser community may be dominated by sectional interests, and as the power of such sections grows, the supreme authority of the central power is needed to balance and harmonise them. Again, there are certain



conditions of work most appropriately regulated by the State, while others are best left to the control of the industry concerned. The prime necessities of industrial life ought not to be left to the care of subordinate authorities, or the uncertain effectiveness of voluntary organisations. They are matters of too urgent a necessity. Such, for example, is the limitation of hours.\* It is a prime social necessity to secure some degree of leisure for all citizens—even tramway men—and to prevent the deterioration of the worker, through long hours in unhealthy employment. Thus, by almost universal consent, the State was more than justified in undertaking to limit the hours of work for women and children in the textile trades. This might have been left to Trade Union action and delayed half a century to the physical deterioration of two generations of operatives, to the saving of no principle worth saving, and the preserving of no interest worth preserving. As a matter of fact, it was accomplished speedily and satisfactorily by law. Similarly the provisions of the Factory Acts may be, and should be, extended as far as possible to all other trades, and the State may with equal advantage limit the hours of men in unhealthy employments, and even within wider limits, in all employments, on the same principle, and with the same results as though the regulation were enforced by Trade Union action. No less necessary than the limitation of hours is the careful supervision of the condition of work in all unhealthy and dangerous trades. To risk other men's lives unnecessarily for the sake of gain is a form of murder, and murder by free contract has hitherto been safe and profitable, but

\* It may be useful here to distinguish what is necessary from what is desirable. A certain limit (say eleven or twelve hours) might be regarded as an absolute maximum and fixed once for all for every employment alike, while a lower maximum (eight hours, or less) might be fixed for unhealthy occupations. Thus much might fairly be regarded as essential. Beyond this, it is surely *desirable* to effect a general reduction to eight hours, and here the law might help the various trades to reach this end for themselves by the principle of local and trade option.

Society has to see that murder is not done with its permission.\*

Such are some of the conditions of industry which it is the special province of the State to prescribe, and in these directions its industrial activity is most likely to develop in the immediate future. The central government is not destined to be merely the largest of employers. Above and beyond that, lies its great work of regulating all that is most vital to society, and prescribing the unity in things essential, without which a nation cannot live. And this ideal of the State is no modern "Socialist fad," but is as old as Aristotle, holding with him that the State "comes into being that men may live, but exists that they may live well."

In four different ways, then, we have seen the principle of collective control at work. And in this principle we recognise the natural base of alliance for all who have gone to work in any one of these different ways. Not only are there many mansions in the City of God, but there are many paths that lead thereto, even though each be narrow. And so there are many ways to social welfare—the noblest goal that man can set before him—but all trend in one direction and at last they meet. And we stand now at the point where the unity of principle that has guided us all along is becoming clear. That principle is simple. It assumes that intelligence is better than blind force, and reaches its end more speedily and surely. It holds that the economic well-being of society is the true end of industry, and that this end will therefore be reached better by an intelligent organisation of industry, than by the haphazard interaction of unintelligent forces. It holds, that self-interest acts intelligently enough for self,

\* As a step to a complete organisation of industry, it should be made the rule that all public "concessions" to private companies should stipulate for "fair" conditions for the worker as a part of the agreement. If we still persist in allowing private persons to make a profit on our gas and water supply, we can at least insist that they should employ their men on Union conditions.

but inasmuch as it totally disregards the welfare of others, it is to be regarded, relatively to that welfare, as a blind and often destructive force. It holds that, apart from the control of industry by the community for its own ends, there is no force but that of self-interest to impel and guide production, and that therefore the withdrawal of collective control leaves industry to the interaction of blind forces producing mixed good and evil, with no necessary tendency to progress, no pre-established "economic harmony" between self-interest and the common weal. Accordingly, on the ground that intelligence is more effective than brute matter, and that the control of the community is the only possible intelligent agency which can direct the course of economic progress, it advocates the substitution of such control for the present chaos of the economic world.

## CHAPTER IV.

### *THE DISTRIBUTION OF WEALTH.*

LET us now try to sum up the joint economic result of the movements under consideration. We have seen that each is attacking its appropriate part of the problem of industrial organisation. Let us now consider how far they are naturally fitted to work together in attacking the problem as a whole. We shall get some light on this point if we examine the present "system" of unregulated industry and compare its main results, point by point, with those which our methods of organisation are tending to put in their place.

In drawing the broad outlines of a system of private enterprise, such as on the whole prevails in England at the present day, we shall simplify our task if we follow the ordinary method of economists, and assume for the moment that the competitive system described is really a system of *free* competition. And when we speak of competition as free, we imply, be it remembered, a good deal more than absence of any legal or other collectively imposed restraint. We imply equality of advantage, *i.e.*, that all bargainers in the markets of the country are equal in position and in knowledge of their own interests. That being understood, it will be seen at once that our assumption is a large one, and not fully realised in any existing state of society. Certain results of this will be considered in their place. Meanwhile, it will be convenient to proceed as though the assumption were justified, precisely as in many problems of mechanics it is convenient to assume that bodies are

perfectly rigid, or move without friction. In this way we get certain broad truths first, and can introduce the necessary limitations and corrections afterwards.

The central fact of modern industry is the Division of Labour, and the consequent production of goods—not for the use of the producers, but—for Exchange. In the regulation of industry everything depends on the way in which the Exchange value of goods is determined. Think first, for a moment, how we should determine Exchange value, if we had it in our power to do so, on the principles above determined, that is to say, with a view to justice and social utility. Supposing the commodity to be useful to society,\* we should try to reward the producer in proportion to the time, effort, and skill applied in making it. And in considering the reward due for a given quantity of time, effort, and skill, we should be guided by the amount it would be possible to give to all workers, so that the weakest would have enough for a civilised existence. In apportioning our reward, then, we have taken into account the social utility of the product, and the amount and character of the work done upon it, and the result will be that we shall get what we want done, and the producer will make as good a living as may be compatible with the wealth of society.

† Turning to the actual effect of competition, we find first that the value of things as estimated in money is continually fluctuating, and that when we ask what is the normal value of a thing and how is it fixed, we must make it clear whether we are referring to short or long periods. Consider a "market" for a day, and you find very likely that prices are different in different places or at different

\* From the point of view of abstract justice, this is obviously the first consideration. If my time and skill are spent in devising an internal machine for use in a public building, my just reward is penal servitude.

† In what follows I am guided mainly by Prof. Marshall, whose account is the most comprehensive. But it will be at once understood that I am not attempting even to sketch a theory of value as a whole. I wish merely to bring out certain points with regard to exchange which explain some of the obvious evils of our industrial system.

hours. But you can strike an average and call it the normal price for the day—some prices being higher and some lower than the normal. Take the same market for a week, and you will find prices differ from day to day. The average price of Monday may be higher or lower than the average for Tuesday. But you can, of course, strike an average for the week as a whole, and speak of the prices for each day as above or below, as “fluctuating round” the normal level for the week. In the same way the week’s average fluctuates about the normal level for the year and so on for any period, as Professor Marshall has ably shown. When we speak of the *normal price* of a commodity we mean the normal or average price for the period we are considering, whether that period be short or long.

Consider first a short period. There is a certain quantity of goods in a market,\* and an effective demand for a certain quantity on the part of the purchasers in the market taken as a whole. No one can calculate either quantity precisely, though an acute dealer can make a good guess. But, what is important, the extent of the demand may vary with the price of the goods. More people will be likely to buy good fish at 1s. than at 1s. 6d. the pound. I shall buy another pair of boots if I can get them cheap, if not, I shall make this pair do for another month. Now if you can sell off all your fish at 1s. 6d. you will do so, and I, who cannot afford to go beyond 1s., will go without. But if you cannot find purchasers who will take off all your fish at 1s. 6d., it will *pay you* to lower the price. If all your fish goes off at 1s., you get more in the long run than if you sell half at 1s. 6d. You have to consider this, and your aim being to get the maximum return, you will all the time be feeling after a price at which you will get off so much that *multiplying price into quantity* your takings are greater than they would be at any other price. Suppose this price to be

\* We need not here complicate the question by referring to expected goods.

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1s. 3d.,\* then 1s. 3d. would be an equilibrium point to which the price will be constantly tending, though it may never reach it.

Now, the important point to notice is that the price thus fixed by the equilibrium of demand and supply bears no relation whatever to the cost of production. One man, favoured by circumstances or by ability, may find his fish only cost him 9d. per lb. to bring into the market, and, accordingly, he takes a profit of 6d. on the price of 1s. 3d.—roughly, 66 per cent. on his outlay. Another, by ill-luck or mismanagement, finds it cost him 2s. to bring the self-same fish to the self-same market, and his time, labour, and anxiety are rewarded by a loss of some 37 per cent. on his transaction. Nevertheless, notice, he will not be able to sell one penny higher than his neighbour, or, if he does, he will only lose the more, supposing 1s. 3d. to be the equilibrium price.

Now the question is what is to become of this man, supposing his ill-luck or mismanagement to continue. It is clear that he must eventually go under water, and that the longer he struggles the worse on he will be. Now this introduces us to the determination of long-period values. For the disappearance of the unsuccessful competitors diminishes the quantity of goods in the market, and given the same demand as before with a decreased supply, the equilibrium price will rise.† It is clear, then, that, in the long run taking an average of prices extending over a sufficient time to cause an extension of production when the market is good or a contraction of it when bad, this average will be sufficient to compensate every producer in

\* Suppose, e.g., you can sell 60 lb. at 1s. 3d. your total return is £3 15s., and suppose you could only get off 40 lb. at 2s. 6d. you could get only £3 at that price, while again 70 lb. at 1s. gives you £3 10s. In such a condition of the market 1s. 3d. gives you the best return.

† For if I have only 40 lb. to sell, and if as before I can find buyers for 40 lb. at 1s. 6d. then 1s. 6d. gives me a better return than 1s. 3d. (viz. £3 instead of £2 10s.) It may even pay to raise the price further, as if I can find thirty-five buyers at 2s.

the market for his expenditure of time, trouble, capital, and the like. The average price over a long period tends, then, to equal the cost of production. But we have seen that the cost of production differs for each producer. A and B are both farmers. A is an able man, farming rich land near a great town. B a bad farmer on poor soil at a considerable distance. But the state of demand is such as to require all B's corn as well as A's. Then if this state of things is to continue permanently the price of corn must be sufficient to remunerate B, *i.e.*, to allow B to pay the average rate to his labourers and to receive the average rate of interest on his capital, and the average return for his own risk, anxiety, management, and the like—the average in each case being determined by relation to the rate obtainable in other occupations open to men of the stamp of B. But it is clear that if the price is thus high enough to give an average reward to B, it will give something very much above the average to A—unless, indeed, A has already had to pay a landlord or the community for the privilege of farming rich land in a good situation. In this case the surplus that goes primarily to A will ultimately find its way into other pockets. But notice first that price is thus determined (on the average of a long period) by the cost of producing that part of the commodities sold which are brought to market under the greatest disadvantages. These goods being, as it were, on the margin of the market, so that a further fall in price would exclude them from it, they are spoken of as on the margin of production,\* and the cost of producing them is the marginal cost of production for that market. This being understood, it holds that when men are very wise in their own interests and competition very free, the average cost of a commodity in a long period is determined by the marginal cost of production. Notice, secondly, that this being so a surplus remains over to every

\* The phrase was, of course, suggested by land supposed to be physically on the margin of cultivation.



producer except those on the margin—the surplus which, in our instance, was left to farmer A by the price which just satisfied farmer B. The existence of this surplus depending on the inequalities in human and non-human nature, it must remain in existence as long as human industry persists. Its existence is not one of the hypothetical laws of political economy, but one of its categorical or unconditional generalisations. But the disposal of the surplus is a very different matter, depending very largely on human institutions.\*

We have now before us two main elements in the returns which a farmer or manufacturer gets for his labour. A certain portion of the return reimburses him for the cost of producing his article. Another portion, which may vary from zero\* to any quantity, is a surplus over and above the cost of production. We must consider, then, the elements which make up both these divisions of the return. To do this fully would be to write a book on political economy. But consider for a moment very briefly what goes to build up the cost of producing an article. We may distinguish the elements of ordinary manual labour and of skilled labour. The price of these, it must be remembered, is determined, not immediately by the value of their product but rather by the average amount that the same labour and skill can get elsewhere. Next come earnings of management, and under them we must include not only salaries paid to clerks, foremen, overlookers, or managers, but a sufficient recompense to the employer himself for his trouble and anxiety. A man of capital will not permanently occupy himself in a business which gives him no return for his trouble beyond what he could safely get for his capital if invested in something else. This brings us to the last element in cost—viz., interest on the capital employed. Now of all these elements there is a certain average which goes to determine the marginal cost of production, and through it the average price of the

\* Or as I shall notice presently from a minus quantity.

commodity. In the long run, probably the price of these elements determines that of the commodity and not *vice versa*. Some of them act more slowly than others, and all act clumsily and roughly; but all probably act in the long run. It is different when we turn to the surplus left to each producer. Here we have to do with rewards determined by price and not determining it. It is sometimes difficult to say what earns these rewards. Sometimes they seem due to pure luck. Others depend on the special abilities or sagacity of a captain of industry. Others on the monopoly of an invention. Others again on situation. We may, however, distinguish the persons who receive the surplus. One in general is the ground landlord on whose land the undertaking is carried on, and as situation is an important factor in success, ground rents, whether in country\* or town, take up an important part of the surplus. The other recipient is in general the *entrepreneur*, who undertakes the risk of the enterprise. But of course *entrepreneur* and landlord may be one individual (as in the case of a peasant proprietor), or there may be many recipients, as in some profit-sharing schemes. And it is important to notice that some factors in the production of the surplus are tangible, their value measurable, and the returns to them nearly constant. Such, for instance, is situation. Other factors, like keen business sagacity, are less easy to measure, and get a variable return. This distinction becomes of practical importance when any attempt is made to control the distribution of the surplus.

For the average producer, then, the returns of his industry may be theoretically divided into two portions—that which reimburses the expenses of production and a surplus over and above, varying in amount. This division, we have seen, is independent of human institutions, though human institutions may determine who shall receive it. In one way

In the country of course the value of the land and hence the rent, depends largely on previous investments of capital in the soil.

human institutions or efforts also affect the amount of the surplus. Not only may they increase or decrease the productivity of labour, but they affect the cost of production. For example, if interest is lowered by the general progress of social security, one element in the cost of production is reduced and it tends to fall, leaving an increased producer's surplus for the *entrepreneur*, landlord, or other recipient. Conversely, a rise in the price of any of the elements determining cost of production tends to raise that cost and lower the surplus. In this way only, it appears, can alterations in the supply prices of any general agents of production affect the quantity of the producer's surplus.

Having thus briefly sketched the effect of free competition on the distribution of wealth, let us consider how it affects the welfare of society. We have seen that the two first essentials of a thoroughly economical system of production would be that only good and useful commodities should be produced, and that all the producers of such commodities should be remunerated at a suitable rate—the elements for determining which we discussed in Chapter II. Now, at first sight, it would appear that both these conditions are satisfied by the competitive system. To begin with, under such a system, nothing can be repeatedly and continually produced in excess of the demand for it. The actual consumers, it would appear, call forth and regulate the supply, and each man being the best judge of his own interests, who can be so fit to determine how many shoes are to be made as those who are going to wear them? In the second place, the price of an article cannot permanently fall short of the cost of producing it, that is, it must be at least enough to give a "fair" rate of remuneration to all parties engaged in producing it, and that, be it remembered, to the parties who produce it under the greatest possible disadvantages, our generous system leaving an ample surplus to more favoured or gifted individuals.

So much for the credit account. What of the per contra?

Take first the correlation of Demand and Supply on which all hinges. The salient fact here is that this correlation is effected indirectly and almost unconsciously. There are few things more capricious and incalculable than the modern market. Cotton is "flat" and wool is "brisk," and nobody really knows why. Shrewd men can make a guess; they can look forward a little way, but at best they are like men groping in the dark, who know the road to be clear as far as the hand can reach, but can never tell what blank wall they may not touch at any step. The truth is, that though demand ultimately governs supply, it has to use very indirect means, and very rough means. To use an old comparison, it is like a force working under a great deal of friction. The individualist producer of old days was a market to himself. He lived, as it were, apart, not only "Cyclops-wise, governing wife and children," but also in true Cyclops fashion, producing just his own needs. He delved and his wife span as they required. They knew what they wanted, and procured it by their toil, and they had the fruits of their toil as its reward. A very uneconomical system of industry from the point of view of production, but presenting some merits from that of distribution. In modern industry we have changed all that. The modern individualist producer sows that another may reap, and that whether he is wage-earner or employer. The essence of the modern system, of which Exchange is the central feature, is that I produce what I think you will buy at an advantage to myself. Whether I am a farmer, merchant, millowner, or shopkeeper, the same holds. You do not set me to work, but I set to work myself in the hope that you will want what I make.\* Meanwhile others are setting to work in the same way.

\* The truth of this is not sensibly affected by the fact that a large number of goods are made to order. For a whole apparatus—human and inanimate—is kept in readiness for orders, and the amount kept is based on calculation of the probable amount of the orders. Hence the loss, if orders do not come, is nearly as great as though the finished product had been already turned out.

Now if I have made a good guess at what you want, I make a large profit. If a bad one, I may be ruined. In the first case, too little of the desired commodity is being produced; in the second, too much. In either case, the discrepancy from the required amount tends to right itself, but in the meanwhile one set of men are ruined while others retire with a fortune. This is the nature of the friction under which competition acts in adjusting supply to demand. Men's lives are the brake upon the wheel.

Let us consider this in close connection with the theory of value. We have seen that for short periods value is determined by the equilibrium of demand and supply and has no connection with cost of production. We have seen that the price thus fixed may be too low to remunerate certain of the producers, and that in the long run these will retire from the market. But at what time and at what cost? If the operation of competition were swift and decisive we should have little to charge against it on this count, but the "long period" in question may extend over years during which time a whole trade is disorganised, employers are contending miserably with forces that are too strong for them and wage-earners are pinched. See how this works out. The price of an article is fixed for a short period, say three months, by the equilibration of demand and supply at a price which does not remunerate a millowner. If he could at once contract his production or close his mill and transfer his capital elsewhere, all would work well. Supply would fall off to the required amount and the remaining members of the trade would receive a good profit. But he is not in a position to do anything of the sort. His capital is locked up. He has acquired certain special business aptitudes and a certain connection. You cannot turn a cotton manufacturer into a farmer, nor a cotton mill into a coal mine. When you are able to do that, competition will begin to work without friction. The result is that the millowner will make a desperate effort to struggle on. Not only

so, but he may resort to desperate expedients, endeavouring to make up for diminished prices by increasing his output, or to attract customers by underselling. Each step plunges him deeper into the mire. In both ways he still further diminishes the price of the article and he plunges others into the same difficulties. The struggle may, if the gods are merciful, be short and sharp, and in that case ruin and bankruptcy follow at once. Rich men lose everything; large stocks of machinery and costly buildings become worthless, hundreds of workmen are turned out into the street. Yet nobody really was in fault. The crisis is worse the further it is prolonged, for it means years of depression of trade, irregularity of employment, falling wages, and vanishing profits. Such is the "friction" which attends the working of competition. It does not last for a time and then cease, but is continually going on; it is the perennial sore of the body politic; the source of haggard anxiety, beggary, and confusion. In point of simple pounds, shillings, and pence, the loss it inflicts on the nation is incalculable. It all depends on the non-adjustment of supply to demand. From the absence of any machinery for correlating these it follows that prices may for months, or even for years, remain below cost of production to the continual loss of the producer, bearing effects which we all see.

The first object, then, of a wise regulation of industry would be to adjust supply to demand, and to fix the price of every article at its marginal supply cost. It may be impossible to do this directly, but it is easier to smooth over the friction of the adjustment. And this, as we have seen, is being done by Co-operation, voluntary, "municipal," or national, *i.e.*, through the control of production by consumers. Meanwhile we have other defects to notice in the competitive system.

Let us suppose the marginal cost of production determined and maintained without fluctuation by competition so that the losses attendant on fluctuation may be put out of

mind for the moment. Will everything then go smoothly? Cost of production, remember, includes the elements of wages for labour, skill, and management; the compensation for Risk and the interest on Capital. Now will the cost of production be fixed at a rate which will provide due remuneration for all of these? And, again, supposing this condition satisfied, will the competition of these several factors for their portion of the price distribute it in the justest way, that is, in the way most useful to the community? Not to go into the full theory of this aspect of distribution, consider the operation of unrestricted self-interest on one factor in the cost of production, the wages of labour, and contrast it with the effect of combination already considered. To understand this we must, as in Chapter II., regard Labour as a commodity which the labourers possess and are ready to sell to the highest bidder. Now supposing the labourer and the employer in an equally advantageous position for bargaining, wages will be fixed for short periods by the equilibrium of demand and supply. And we saw that in the case of material commodities the equilibrium price bore no relation to cost of production, and might leave the producer in a bad plight. So it is with wages. The market wage for short periods bears very little relation\* to the needs and comforts of the labourer who sells his work and may leave him in a very bad plight. In practice the iron rule of demand and supply is relaxed in the case of wages by two causes. The first is the influence of custom or even charity which may assign more to labour than mere competition would exact. The second is the vast economic advantage which the great majority of employers have over average unorganised labourers, an advantage parallel to those of a horsedealer over a tyro, and enabling the employer as a rule to buy labour very much cheaper than would be possible if the labourer were equally able to forecast the market

\* It is too much to say there is no relation. The wage even for a week must, as a rule, be enough to keep the labourer from starving.

and to await a favourable turn. This acts as a permanent force depressing the rate of wages, and we have, in short, one of the most important cases in which "free" competition as above defined is a delusion. And now notice further two peculiarities about labour as a marketable commodity. First the long period in which its price is adjusted to the "cost of producing it" is abnormally long. A low rate of wage in a given trade tends to discourage the supply of labour for that trade, but especially if the low rate be spread over many trades or all the trades of a country, the operation of this tendency occupies something like a generation in working itself out, being achieved in the latter case, partly by discouragement of marriage, more by emigration, and most of all by increased mortality, especially among young children. This, of course, is simply a form of economic friction. However, whether quick or slow, by pestilence or famine, the tendency probably does work itself out and supply is reduced to meet a lowered demand. But meanwhile a second important peculiarity of labour as a marketable commodity has been manifesting itself, viz., the effect already insisted on, of wages on the efficiency of the labourer.

Confining ourselves to the economic aspect of this we shall find that the productivity of labour is diminished by every drain upon the labourer's strength due to insufficient food, bad housing, or unhealthy occupations. And the productivity of labour is one factor in determining its reward, inasmuch as it determines the total of which labour receives a portion. Hence decreased productivity tends to further decrease of wages, and we have, in fine, one of those cases of cumulative action to which Professor Marshall has carefully drawn attention. Observe: a low rate of wages diminishes the productivity of labour; diminished productivity tends in turn to lower wages, and so on, in a vicious circle. Conversely, increased wages and increased productivity tend to augment one another, and so on, in a circle of hope. Economic injuries, as General Walker has shown us, tend to perpetuate them-



selves, and the same may be said of economic gains. The result is that under a competitive system, the wages of labour do not necessarily right themselves at all. Supply will, indeed, slowly tend to adjust itself to demand, but, to say nothing of the bloodshed by the way, *if the labourer's remuneration is below the minimum necessary to a certain development in mind and body*, the tendency of free competition will be not to raise him to a level with that minimum, but to depress him further below it. The equilibrium wage will sink. I conclude, then, that while it is of the last importance that the mass of workers should have a sufficiency for health of mind and body, there is no necessary tendency in the action of competition to assign them such a sufficiency, and I appeal to common experience to decide whether it does assign a sufficiency to half the workers in the United Kingdom to-day.

For these deficiencies of free competition we have already discussed the remedy. The grand cause depressing "free labour" is here seen to be the economic weakness of the labourer himself, and it is precisely this that Trade Unionism corrects. The more clearly it is seen that industrial anarchy tends to depress great masses of the workers and exclude them from their due reward as servants of society the greater is the need for the control of work and wages by Trade Unionism.

Now supposing the rate of remuneration fixed; supposing that workers of every class have obtained for themselves a "fair" average remuneration, taking into account, in accordance with our original principles, not only the necessities of life, but also the claims of effort, skill, and brain power; supposing, therefore, that the employing class has also fixed a "fair" average wage for itself—there will still be a considerable surplus of wealth to consider not absorbed by the payment of wages.

The first element in the surplus is profit proper, and consists in what Professor Marshall has called the quasi Rent

of commercial ability and monopoly, to which we should add good fortune. We have seen that the individualist employer after paying labour, rent, and interest, and after receiving a sufficient wage for his own extremely hard work of management, may or may not find himself in possession of a surplus, large or small. This surplus depends partly on his skill and efforts, partly on mere luck. It actually varies in amount, as we have seen, from zero to any quantity. It is the "fringe" of the national dividend where expansion and contraction have their first effects. If we could bring together all the industries of the country into a single hand, this fringe would take the form of a very large surplus; if, however, we conceive the industrial management of the country to remain in its present condition the "fringe" will present itself as though cut very irregularly along the surface of industry. In one business the surplus will be enormous, in another there will be none at all, in a third will be a positive loss. This we can see is a very uneconomical arrangement, enriching some people beyond what is needful for the highest happiness, and ruining others to their own misery and the derangement of trade. A small difference of ability, a slight turn of luck, and one man makes his fortune while another is ruined. The result is that neither is happy. Neither beggary nor princely wealth conduce best to a happy and well-ordered life. For the wealth made there is no tangible increase of happiness or development to show. Meanwhile the lure of profit-making corrupts all industry and changes honest work into a constant struggle to get more and more, and an unceasing effort to over-reach others. Nor does the evil cease with the producer. When money becomes the test of success, and I am held to have proved myself a better man than you if I have earned more, then the signs of wealth are held the proofs of merit and ability, and display becomes the first object for men of means. There is not one class in England at this day that is not infested by this taint. It corrupts

the life, mars the comfort, poisons the social gatherings, destroys the simplicity of men and women from the cottage to the castle. It fills the world with ugliness and discomfort. And if in part it is due to a permanent human weakness, it is fostered and cherished into a hideous growth by the modern development of the profit-seeking spirit. We have to quarrel, then, both with the distribution of the producer's surplus as affected by competition, and with the results to character which such a mode of distribution brings about. Now what are the compensatory benefits of the system of private profit? Regarding profit as the wages of the employer—the wages allowed him by society under the economic system which it supports—we have to ask, Is it the most economical method of payment? So far as the employer's profit depends on luck—i.e., on causes beyond his control—there is clearly no economic advantage to society whatsoever in awarding it to him; so far as the prospect of additional gain stimulates him to socially useful exertion society does obtain a certain *quid pro quo*. But, in the first place, the individual employer, aiming at his own profit, does not necessarily use means thereto which contribute to the general welfare. If, for example, he is able by skilful advertisement to palm off inferior goods on the public, his profit is due to his sagacity or cunning, but not to any real social service. To lie well requires consummate art to which in some departments of modern industry a life-time may be profitably devoted, but it does not conduce to the general comfort. Thus, if honest employers make an honourable profit by useful work directed with great ability, and are paid less than the value of their services, we must set against them the dishonest traders who profit at the expense of their own uprightness and the general well-being, and who are encouraged thereto by many of the circumstances of modern commerce.

But further, it may be doubted if the individualist system either checks the bad or encourages the good in the best

way. The stakes are too high. Men stand to win or lose their all. They oscillate between riches and beggary. As a class our modern captains of industry are not to be envied. They bear the first brunt of commercial storms. They are subject to repeated periods of strain and over-pressure. The ups and downs of fortune tell on their mental and physical health. It has even been doubted whether the individualist system of industry does not most afflict those who are generally supposed to gain by it most.

We see, then, that the system which leaves the producers' surplus as a prize to be fought for may stimulate good work, but it also cherishes sinister arts. It distributes its rewards in a way that causes over-strain and worry, even to the favoured ones. It produces a competitive spirit concentrated on personal gain instead of public good. And in the train of all this come the evils we discussed before, the repeated disorganisation of industry, and the consequent loss of capital and deterioration of labour. What is needed, then, is to communise the surplus products of industry. The losses of industrial enterprise will then be balanced against its gains. Loss will still be loss, but it will not spell ruin. The community has broader shoulders than the individual. And since in the long run the products of industry do exceed the cost of producing them by a very large amount, this net gain will fall to society at large. Distributed by competition, it is a source of net unhappiness. Communised, it is an advantage to every one. Let me not be understood to advocate the under-paying of the employer or business-manager. His work to be well done requires great industry and high ability, and we shall not gain as a community by niggardliness in rewarding it. I assume only that we can get good work done for fixed salaries suitably determined by the quantity and quality of the work required. It is an assumption which is indeed denied by *laissez faire* economists, but warranted by all knowledge of human nature working under good institutions. There is no reason why

Mill's ideal should not yet be realised and men learn to dig and weave for their country as well as to fight for it. And if men can dig and weave for a fixed wage and exert themselves to earn it well, men can also follow earnestly and strenuously the higher calling of guiding those who dig and weave. This is not a dream, nor even a supposition. It is matter of fact realised in many departments of industry to-day. In medicine, in the churches, in education, wherever men feel an interest in the work as well as in its wage, work is given gladly and willingly to the utmost of a man's power for a fixed reward. And the same holds in industry pure and simple. Take the co-operative world where as Mrs. Webb has well pointed out we have men dealing with millions of money, carrying on complicated operations on a vast scale for the salary of a clerk. There are in truth other motives to action than those of direct and proportionate pecuniary reward. There is the prospect of advancement, of social esteem, of the pure love of work, and of the desire to serve society. There are motives mercenary, and motives of devotion. \* These last are indeed diminished by a social system which makes material success the main object of respect, and tends to regard devotion to the public service as either humbug or simplicity. But they can never be extinct, and we have but to curtail the field of the other impulses which compete with them in human nature, and they will of themselves expand to all their original vigour.

Thus free competition distributes the profits of industry so as to do the minimum of good at the maximum of cost. To be made socially useful "profits" must be communised, and as above shown profits are being communised by every extension of co-operation and of national or municipal enterprise.

But besides "Profit" in the narrower sense, there is a second element in the surplus product not yet considered. While profits are fickle and variable a great portion of the excess of value produced over the cost of producing it goes

to private pocket in fixed charges. And it will continue to do so however much you communise profit. A Co-operative Society must pay interest on its capital and rent on its premises. A municipality must purchase or rent land for its public works. Now Rent is the price paid for differential advantages in production to those who own such advantages. And "economic Rent" there always is and always must be. For, as we have shown, some goods are bound to be produced under more favourable circumstances than others which are brought to the same market. This advantage may be due to various things, such as fertility or situation, and the owners of such advantages can exact a price for the use of them. No legislation can abolish economic rent. But the law can and does determine who shall receive it. And the question is, Does the law do wisely in allowing private individuals to absorb this enormous portion of the national produce? In answering this we need make no attack on the owners of Rents. They may be most estimable men, and many of them may, of their free choice, be doing good service to society. But the point is that they form a permanent charge upon the "National Dividend," for which no adequate return is made and for which no return need be made at all.

In many cases the value for which rent is paid is due to natural causes and not to human effort. Of this Mining Royalties are a conspicuous example. In other cases it is due to the growth of society, as instanced by the price of land in the City of London. Whenever we pay for value so created we get no compensatory service rendered, and we thus violate the first principle of a sound economic system. Another portion of the value for which rent is paid may indeed be due to human effort, as in the case of wise improvements carried out on his estate by a good landlord. But here again the law of inheritance makes it possible to hand on the fruits of such work to heirs who have done nothing. And the community is thus saddled with the sup-

port of men who *need* do nothing in return for it. The same holds of interest. If capital is first created by human skill and forethought, the heirs of capital may be wise or foolish, able or incompetent, but as long as their capital stands in their names they will get the same rate of interest proper. In the case, then, of the majority of the rent and interest paid by society no compensatory social services need be rendered in return. And it is important to remember that the same truth holds whether we pay £100,000 a year to a Duke or cut up his estate and pay £100 a year to a thousand petty yeomen. The yeoman is able to hand on his property in the same way, and thus, even if he first gave it its value, we shall have to pay his heirs to the ding of doom for the condescension of allowing themselves to be born. Nothing is gained by substituting a number of petty owners—who are not always found to make better use of their position—for the one big owner.

An objection may be raised here that Rent and Interest do not stand on the same footing. Interest, it may be said, is earned by the previous accumulation of capital. Thus it is paid not for services immediately rendered, but for services that have been rendered. Rent, on the other hand, is paid for the use of gifts of nature or for value due purely to the growth of society, and the rent-owner may never have performed any service whatever. He may be a mere burden on the land. Again, it may be urged that as economic factors they are very different. Interest enters into cost of production, and goes to determine price, while Rent is determined by price. This last point is true,\* and may serve to point the necessity for a difference in the practical method of treatment. Interest is only part of the "surplus" of wealth, if in the surplus we include everything that *remains when the actual workers (managers included) are paid*. But the question now before us is whether there is any ethical

\* At least of such portions of "actual rent" as correspond to "economic rent."

difference between Rent and Interest. Free competition places both in private hands, often accumulating enormous quantities of both in the hands of one man. Is this desirable? And is it any more desirable in one case than in the other?

So far as Rent is really "Unearned" the case against it may be considered stronger. If any practical method can be found of fixing the point from which we are to begin calculating the Unearned Increment, well and good. There would be a strong case for attacking this part of the surplus first. It would be the clearest of all the many cases in which society obligingly hands over a handsome present to a few fortunate individuals. Similarly it is eminently desirable that we should take immediate steps to secure all such future increment to ourselves as a community.

But the problem does not end with the confiscation of the Unearned Increment. A great quantity of Rent is practically indistinguishable from Interest on Capital, and Interest itself takes an enormous share of the national income. Now morally and economically it can make little difference whether these large sums are paid for past services or not. By far the greater amount is not now paid to those who did the services. The principle of the inheritance of private property creates a lien on the industry of all future time for the descendants of every man who accumulates wealth. This is too great a price to pay for thrift. It is too heavy a burden for society to bear. The whole economic system groans under the load.

We have seen that the movement hitherto considered would not really touch this part of the national wealth. The difficulty is not met either by raising wages to a "Trades Union level" or by the utmost extension of co-operative and municipal enterprise. However far we go in this direction we should still be paying toll to the amount of nearly half our annual income for the privilege of living in England and using the stock of wealth accumulated by



our fathers. But we may indicate the principles on which the problem of Rent and Interest as a whole may be, and probably soon will be, dealt with by the State, in furtherance of the collective control of industry and its products by the community, which, as we have tried to show, is the underlying idea of all forms of the Labour movement. We confine ourselves merely to the statement of principles, which are in themselves comparatively simple, though their application is endlessly complex, and will no doubt form one of the chief practical difficulties of the coming years.

An economically worked system of industry would, I think, establish the principle that payment should be made for services rendered and to those by whom they are rendered. The surplus left over it would communise. We should not advocate this on the ground of any objection to wealth as such. It would matter little how wealthy the few might be so long as the many were not poor, and so long as provision was made for all socially useful objects. There is no spite in the Labour movement of to-day, but there is a strong sense of the poverty and misery around us, and a clear conviction that a better use might be made of our enormous wealth. We have no wish to send the rich empty away, but cost what it may, we are determined to fill the hungry with some of the good things of life.

Thus we do not object to wealth as wealth. Nor do we object to the present system on the ground of equity, though if there be such a thing as equity surely its simplest canons are violated by the extremes of fortune and the accidents of inheritance. Nor is it merely that the existence of idle luxury conflicts with the democratic ideal of society as an association in which rights and duties fall to all alike, though it does flagrantly conflict with such an ideal. But beyond all this there is the question whether the recognition of inherited property in its present form and extent is compatible with the performance of the duties which society owes to its members. Holding, as we do, that the rights of

property are wholly dependent for their binding force on the purposes which they subserve in the social system, we have to ask whether these purposes can be adequately fulfilled as long as hundreds of millions yearly go to private persons for the use of wealth that is due partly to nature and partly to the efforts of their fathers.

Just so far then as higher social exigencies necessitate we are bound to reduce our "tribute," and revert to the principle of paying only for services rendered, and only to him who renders them. But how are we to effect the change? How can we deal with the actual proprietors of Rent and Interest who have grown, as it were, to their present place in the economic system, and could hardly now fit themselves into another? Every possible method of dealing with the problem presents great difficulties, but two things may be laid down as matters of principle. We shall avoid dealing hardly with existing owners, but when there is a conflict of claims we shall set justice to the community above the established interests of a class.

No sweeping interference with private property is either possible or desirable. We do not in England proceed by the crude methods of revolution and confiscation. We could not, without gross hardships to individuals and danger to the public, confiscate at a blow the Land and Capital of the country, and we should not know what to do with it if we could. In time the community will become the chief, perhaps the sole owner, of Capital and Land. But it will be by gradual steps. The progress of public enterprise admits of indefinite extension, and at each step some fragment of Land or Capital passes to the community. And on each occasion fair compensation will be given. But it may be asked, "How does this rid us of the burden?" If compensation is to be given, surely Capital and Rent remain in essence, drawing an undiminished tribute from the worker.

The answer is, first, that the compensation in question is

raised by taxation, and we can adjust taxation as we please. If we take the view of Rent, Interest, and Profits advanced in this chapter, we shall regard them as the natural reservoir from which wealth is to be drawn for all public purposes. That is, we should adjust taxation to fall exclusively on the surplus of industry, and not at all on "wages"—in their broadest sense. Leaving the smaller incomes as free as possible, we should graduate the income tax so as to fall most heavily on those who are getting the largest share of Rent, Interest, and Profit.\* We should find another point for the application of our principle in the death duties, and (if we do not deal more drastically with the Unearned Increment) in the taxation of Ground Rents. In this way we should make Rent and Interest pay for their own extinction. We should inflict no overwhelming loss on any individuals or any class of living persons, as would happen if we pitched on one particular form of property—say Land or Railways—and took them without compensation.<sup>o</sup> There would be no spoliation, but readjustment of taxation on a new principle. And the ground<sup>e</sup> landlord has no more right to complain when the tax collector comes his way than I have to cry out when the Chancellor of the Exchequer puts an extra penny on my income tax.

It might further be suggested that compensation should take the form of terminable annuities. With every respect for the rights of the living, I do not know that we need weep for the losses of generations yet unborn. If instead of giving a lump sum or  $2\frac{1}{2}$  per cent. on that sum for ever we allowed such higher percentage as might be considered fair to the owner for his life (or even for the life of his next heir), the temporary burden would be slightly increased,<sup>o</sup> but the

\* This would in part apply even to the smaller owners of Interest. The reasonable thrift which provides for old age and sickness, and we might add for wife and child, performs at present a social function of the first importance. Until the State is prepared to undertake this duty in its entirety, it must be careful not to discourage such individuals as are now performing it for themselves and those dependent on them.

future would be entirely free. I conclude that it is possible gradually to communise Land and Capital without recourse to revolutionary methods, by the extension of public enterprise and the readjustment of taxation. I do not profess to do more than indicate the broad principles upon which such "communising" is advocated, and on which it might conceivably be carried out with the least amount of friction and hardship. The real difficulty is, of course, in the practical applications, with which we are not dealing at present.\* It is our business merely to discuss the results to which we are led by applying the principles of the collective control of industry for the common good to the case of private property in Rent and Interest, and one result is simply that the principle of collective ownership will have to be very greatly extended in this direction if the movement to economic reform is to achieve all that it promises.

We have now considered all the main elements in the disposition of the national dividend, and we have tried to show that the various forms of the "Labour Movement" previously discussed would deal far better with them, in the interests of society, than the forces of Private Enterprise and Free Competition. The Remuneration of the Workers (of every kind) being fixed by the Trade Unions in agreement with the public at large, the surplus remaining would pass to the community for common purposes; the profits of enterprise going to communities of consumers, whether in the form of Co-operative Societies, Municipal Bodies, or the State; while Rent and Interest would go directly to the Municipality or the Nation. Thus each branch of the Labour Movement has its appropriate part of the general problem to work out, and tends to supplement the shortcomings of the others.

\* Of these the graduation of the Death Duties in 1894 may serve as a sufficient example.

## CHAPTER V.

### *THE CONTROL OF INDUSTRY AND THE LIBERTY OF THE INDIVIDUAL.*

LET us now review our position. Let us suppose the principles we have advocated to be recognised and carried out to their logical conclusion, and let us try to picture the resulting state of industry. The work of the nation would then be carried on under the direction of communities of consumers. There would be the great national works developed from those which exist at present. There would be probably a still greater development of municipal works, and there would be, supplementing these, voluntarily formed co-operative associations on the existing model, united by the Federal principle and, ultimately, co-extensive with the community. We shall advance in all three directions with varying rapidity, but steadily and simultaneously. In each case suitable remuneration and healthy conditions of work will be ensured for all classes of producers by good legislation, backed up and supplemented by strong Trade Union action. The surplus product when this charge is met will be in the hands of the community for common purposes, that there may be the means of life for the infirm, and of culture and enjoyment for all, and the ceaseless wearying roar of the great engine of competition would be still.

Will such an ideal ever become actual? As to its complete realisation I answer, "No one can tell, and it is not

our business to find out." What concerns us to-day is, not the possibility of a complete ideal, but the practical value and immediate promise of certain existing tendencies. Here are certain great economic evils which all deplore, and here are certain movements aiming at reform. Are these movements actually doing good? Do they promise, if developed along the same lines, to go to the root of the matter? These are the questions which we have tried to answer, and which we have seen reason to answer in the affirmative. If this answer be justified, then, whatever changes the future may necessitate, these movements form for the present the means of progress.

Thus we may readily admit difficulties in applying the co-operative form of industry to every department of production. In the case of foreign trade, for example, co-operation of consumers to arrange for production\* would seem almost out of the question, unless in some far-off Federation of the world which is yet but a dream. Again, in the case of some professions and other occupations, the principle seems somewhat out of place, and is not likely to be realised unless in some modified form. In short, wherever the industrial revolution has not set its mark, and where industry passes beyond the limits of the nation, collective control by consumers becomes a difficult matter. The case of Agriculture is one of special interest in this relation, and it is worth while to discuss a little more fully the way in which our principles seem capable of application in its case. Co-operative farming has made some progress, though not much. Last year thirty-eight co-operative societies farmed 3,315 acres in Great Britain.† And perhaps the co-operative mills of to-day will take their corn from co-operative farms to-morrow.

\* Transport, however, is already undertaken by the Wholesale Societies in ships of their own.

† See the Report of the Twenty-fourth Co-operative Congress, 1892, pp. 23 and 82. The figures given *exclude* "Individualist" (profit-sharing) Societies, *i.e.*, refer to farms worked ultimately by "distributive stores." Stores occupying less than ten acres are also excluded.

But it is too early to form any idea of the progress possible or likely in this direction.

Meanwhile there is, at first sight, a strong drift of things in the other direction. We seem to be rapidly sprinkling England with individualist producers of the old mediæval type. Allotments and Small Holdings seem to many people opposed not only to every principle of "Collectivism," but to the whole tendency of the Industrial Revolution. But this is not altogether the case. The small occupier himself is an individualist producer no doubt. And a system of yeomanry or peasant proprietorship would doubtless bring back many of the evils, ethical and economical, of primitive individualism. But with communal ownership a very different system is introduced, and communal ownership is already adopted as the principle of a great political party—even though that party has not yet taken the final step of repudiating every opposing principle. In the case of agriculture rent takes the greater share of the surplus product. As owners and rent-receivers, then, the community will exercise some of the most important rights and duties of collective control. Of course this supposes that we are not to be satisfied with a simple quit rent to be fixed once and for ever. Such a plan would be only one degree better than a system of complete purchase. We have surely learnt enough by sad experience of the folly of fixing payments for variable values. Agricultural values are constantly shifting in relation to money, and if we fixed rents to-day, thirty years hence our tenants might be in possession of great unearned increments, or—what is just as likely—on their knees to us to relieve them of an overgrown burden. The small-holder must have fixity of tenure, but subject to revision of rents at stated periods of considerable length, with allowance for all improvements made by the occupier. In this way the community will absorb its due share of the produce—the surplus over the remuneration of the worker.

In the case of agriculture, then, our principle can be

carried out in some of its most important features. As to the other cases mentioned it might not be impossible to suggest means for its application ; but, as we have tried to make clear, our purpose is to discuss existing tendencies and their value when completely carried out. If we go beyond them we are in danger of imagining a vain thing. Nor need we be at pains to work out in our heads a perfectly finished political order, rounded off in every direction. Of such Utopias the only thing that can be predicted with certainty is that they will always be Utopias. It is sufficient to show the tendencies of a system, tendencies even now clearly visible, and which will work out wider and greater results at every stage of their realisation, though that realisation may never be completed. And let us, above all, remember that the accomplishment of any considerable part of our hopes will open wider vistas of progress, will create new problems of its own, and demand undreamt-of methods of solution. No human system ever yet existed in completeness. One after another has grown and decayed, and none has stood still in self-satisfied fulness of development. Like "the waves in the moonlit solitudes mild of the mid-most ocean," they swell and pass before we have measured the height of their crest. Only human society under wise human direction does not rise to fall again with the ceaseless iteration of the ocean waves. The tide of movement sweeps us higher at each great pulsation ; it pauses, but it does not sink, and it changes its course only to find easier inlets to the shore.

We must then content ourselves with a limited view of the future, and must not strain our eyes to see the invisible. It is enough for us to trace the tendencies of our principles to the farthest point discernible, to see how they harmonise and supplement each other, and how the application of them would meet the economic evils of the day. If we never get perfection it is well to get as near it as possible.

We ought however to meet in advance one or two theoretical objections which are almost certain to arise. It will



be said, first, that economic laws render our ideals impossible. This objection may mean two of three things. It may mean generally that sound economics are opposed to such views. If that is so we must of course have the particular discrepancies pointed out before we can reply to them. It may mean again that economic laws are as inevitable as those of arithmetic or astronomy, that it is equally hopeless to contend against them; that these laws have produced the present state of society, and that the said state of society cannot therefore be modified by human effort. Against this hypothetical but not unlikely objection, the reply simply is that it rests on a misconception of the idea of law. A law in economics, as in any other science, simply states what has resulted, and is expected to result, from certain conditions—what will be the effect of a given cause. Political economy traces the existing state of industry, distribution of wealth, &c., to certain causes, and says that given those causes the effects follow inevitably. Very likely, but suppose we can control the causes? Given free competition, enormous inequalities of wealth are inevitable. Doubtless, but suppose we can supersede competition by an intelligent control of industry? We cannot argue from what happens now to what would happen under changed conditions. The fields of economic and much other scientific thought are strewn with the bones of those who have tried to reach truth by this method, and have perished intellectually in the attempt.

In a somewhat similar spirit it is sometimes said that political economy *favours* free competition. This idea still seems to work confusedly in the inner fogs of many minds, but it is about as intelligible as to say that physiology favours disease, or astronomy the motion of the earth round the sun. Political economy has emerged as a science at a period when free industrial enterprise has been more widely extended than heretofore, and accordingly it has been mainly concerned to examine the phenomena that arise under a

competitive régime. But political economy is concerned purely with the ascertainment of facts. It tells us, or tries to tell us, what happens under given economic conditions. It does not tell us what ought to happen, what would be most desirable in the general interests. It does not, as a pure science, favour any one form of industrial organisation rather than another. And if any political economist does show such favour we can only say, that *qua* political economist he has no business to do any such thing. The whole notion implies an entire misunderstanding of the nature of science as an attempt to interpret existing facts as it finds them. The ordinary "scientific" objections to collectivist reforms are, in fact, the objections of pseudo-science.

There is however one specific form of the economic objection which we can hardly expect to escape. The population-theory has been erected into a bulwark against almost all theories of progress since the days of Malthus, and it is hardly to be supposed that the Labour movement of to-day will be allowed to pass unchallenged. I shall be told that this reckless ministering to human life and comfort, this monstrous preservation of the incompetent, will have as its inevitable result the increase of population which must infallibly lead to increased poverty. Observe the reasoning here. There are more mouths to fill; therefore there is less for each. Quite so, if the whole stock of food remains the same, but how if the supply of food increases as fast as the population, or faster? Is not this possible since each new consumer is (or is to be) also a new producer. No, I shall be told; the Law of Diminishing Returns prevents this. Put ten men to labour on a farm and you get a certain return. Add ten more next year and you get a larger return, but not twice as large. You have doubled your labour, but you will find the produce less than double. And this gets worse the further we go on. Ten men, say, could produce enough from the farm to live in comfort. Twenty men produce enough to keep

fifteen in comfort. Then five will be underfed. Thirty men's labour will keep eighteen in comfort and twelve will be in rags, and so it goes on getting worse and worse. Now, all England and all England's industry may be looked at thus. Ten million (say) could live comfortably in England. At twenty millions, five will be submerged. At thirty twelve will be in want, and so on.

I do not suppose that this argument would now be used by any competent economist. But it may be well to explain briefly the nature of the mistake. The simple truth is that the Law of Diminishing Returns is a misnomer. At one stage returns *increase* proportionately to the amount of labour applied; *i.e.*, a given addition of labour brings *more* than proportionate increase of product. At another stage returns *decrease* proportionately to the amount of labour; *i.e.*, a given addition of labour brings a *less* than proportionate increase. Thus a farmer working single handed in a Western state reaps a certain harvest. If he is able to hire one labourer his return is more than doubled. A second labourer adds yet *more* than the first, and so on up to a certain maximum, after which the addition of a fresh labourer makes a smaller addition of produce than is obtained from the average of preceding labourers. At this point Increasing Returns give way to Diminishing Returns. And so it is in all industry. There is a period of Increasing and a period of Diminishing Returns and even an interweaving of the two, so that we pass from one to the other and back again. And thus considered the conception must be applied to manufacture, mining, transport, and other industries, as well as to agricultural land. Let it be granted—I doubt whether any human being knows it to be true—that English agriculture is now permanently in the period of Diminishing Returns, it must be remembered that England's population does not depend for its food on England's soil. And it has yet to be shown that an increase in the population does not produce such an increasing return in

manufactures and transport as more than counterbalances the diminishing return from agriculture. That this has been so up till the present time seems to be agreed. Thus Professor Marshall says :—

“ Political arithmetic may be said to have begun in England in the seventeenth century ; and from that time onwards we find a constant and nearly steady increase in the amount of accumulated wealth per head of the population ” ( “ Principles of Economics,” vol. i. p. 729, 2nd edition, 1891 ).

Remembering the enormous increase in the population which has taken place during the same time, we see here the action of Increasing Returns on a large scale. In fact, the pressure of population on subsistence may some day become a difficulty. But that it in any way contributes to our difficulties at present, or is likely to do so within any period for which we are called upon to make provision, there is no evidence to show. What evidence we have points the other way. And for those who look forward with anxiety to the time when even standing room will be difficult to find on this earth, let us in Platonic fashion crown them with garlands as the wisest and most far-seeing of men, and at the same time suggest to them that they would find a more congenial society among the philosophers of Laputa than among the legislators of our city.

A somewhat similar objection may be put in a simpler form. It may be said “ You propose that every occupation should be made as safe and healthy as possible, that it should never be carried to the point of exhaustion, but should leave reasonable leisure for every worker, and yet that every man should have enough to maintain himself and his family in a way befitting a civilised being, and that the old and infirm should be made comfortable. But where is the money to come from ? Quite apart from the growth of population, where, at the present day, is the wealth that will meet this enormous charge ? ”

No doubt our wages bill will be much increased if we are to support all the workers of the nation in comfort at the price of moderate toil. But it is not at present found impossible to support a considerable number of people in a great deal more than comfort at the price of no toil whatever. Next, I would admit our task to be difficult, but I would infer that it requires our whole energy, and that we must accordingly get rid of every obstacle to its achievement. If certain persons hold a lien on the produce of the nation and exact a toll for which they make no adequate return, our difficulties are certainly increased; but my inference would be not that we should abandon our task, but that we should reconsider the position of these persons. Every argument from the "impossible" urged by the friends of vested interests makes the case against vested interests stronger. The more difficult it is to satisfy the primary needs, the more necessary it becomes to apply the whole of our revenue to that purpose. And the first need of all is life for the worker. In a true social state every citizen counts for something, all alike must be considered; but the servants of society must be considered first. If there were to be before and after at all in a true state, those would be before who whether with brain or muscle have done the hardest, most unpleasant, most dangerous, most self-denying work for the common good. And next to the worker would come the helpless. Not till these first needs are satisfied can we consider any other claims. Individualist economics put the cart before the horse and then are surprised that there is no progress. We intend to reverse the order and see if many "impossible" things do not become possible.

I conclude, on the whole, that the economic objections to the collective control of industry are not sound.

But one question remains to be raised. In all this advocacy of collective control are we not leaving one side of life out of account altogether? Does not the growth of the central authority militate fatally against the liberty of indi-

vidual citizens which is essential to progress? This is a consideration which would have had more weight in England twenty, or even ten, years ago than it has to-day, and I deal with it not so much because I think it will be considered, as because I hold that it ought to be considered. I shall not, therefore, attempt an exhaustive discussion of the arguments for individualism. I will content myself with one or two as representative, and will then pass to the more positive treatment of the subject.

First, then, the idea of the "rights" of the individual as opposed to the good of society, though it would hardly find countenance from any competent thinker, still appears to lurk obscurely in certain minds from which it emerges from time to time into the twilight of confused platform speeches or magazine articles. We still hear of the rights of property, the right to free labour, the right to drink when and where you please, as though these rights were not merely the creation of society, sustained by society for its own convenience, and having no other moral justification in the world, but superior to social welfare and competent to give it the law. But a "natural right" independent of the welfare of society is as much a contradiction in terms as a legal right independent of a law enforcing it. On this point philosophers speak with one voice. That it is the view of utilitarians, like Mill, holding as they do that the greatest happiness of mankind is the test of right and wrong, goes of course without saying. Let us hear, then, one of the greatest English representatives of a quite opposite school of thought:—

"The dissociation of innate rights from innate duties has gone along with the delusion that such rights existed apart from society. Men were supposed to have existed in a state of nature which was not a state of society, but in which certain rights attached to them as individuals, and then to have formed societies by contract or covenant. Society having been formed, certain other rights arose

through positive enactment; but none of these, it was held, could interfere with the natural rights which belonged to men antecedently to the social contract or survived it.

"Such a theory can only be stated by an application to an imaginary state of things, prior to the formation of societies as regulated by custom or law, of terms that have no meaning except in relation to such societies. 'Natural right,' as right in a state of nature which is not a state of society, is a contradiction. There can be no right without a consciousness of common interest on the part of members of a society. Without this there might be certain powers on the part of individuals, but no recognition of these powers by others as powers of which they allow the exercise, nor any claim to such recognition; and without this recognition or claim to recognition there can be no right."\*

On this point, then, Utilitarian and Transcendentalist join hands. A right is nothing but what the good of society makes it. If it were well for society as a whole to destroy every right of private property to-morrow, it would be just to do so, and the owners would have no right to object. They might resist with physical force, but they would have no moral ground to stand upon. If, therefore, any right to any form of property or freedom no longer serves a good social purpose, it must go. And whatever tenderness we show to the interests of individuals, remember that we do this, too, in the name of the common welfare.

This being understood, we pass to the scientific arguments for individualism. The chief of these arguments is an application to human progress of ideas derived from the organic world at large. The struggle for existence among plants and animals is continually eliminating the majority of those which are born, and the survivors are only able to maintain their ground by superiority to the remainder in strength, swiftness, cunning, endurance, or

\* T. H. Green, "Principles of Political Obligation," *Philosophical Works*, vol. ii. p. 354, 2nd ed., 1890.

some similar quality. Hence the natural result of the struggle is the survival of the fittest, which is the means of the gradual evolution of higher from lower forms. So in human life success is to the strong, the swift, the cunning, and the patient. Let natural forces play, and these shall inherit the earth, the weak and feeble being rooted out. In this way by slow degrees we attain to a higher type. But if by artificial means we preserve the impotent and the helpless, we hinder this beneficent natural process. We prolong the misery of their extinction and lower the average of human excellence. Happiness and perfection are reached by merit and by other organisms when they are thoroughly well adapted to their environment, and the supreme law of progress is that the ill-adapted being should be left to die:—

“Thou shalt not kill, but needst not strive  
Officially to keep alive.”

Now we fully agree with the evolutionists in their main position. It is desirable that the fit should succeed and the unfit fail; we are ready even to exclude the utterly unfit from society altogether by enclosing them in prison walls. But who are the unfit? “Those who are ill-adapted to their environment,” say the evolutionists. Quite so; and what is the environment of man? The society of other men. Then who is the fit man? Clearly the man who is best adapted for social life. And who again is he? Is he the bold, unscrupulous man of force, the exacting, the merciless, the ungenerous. Such is the man who succeeds in the anarchical struggle for existence. Or is he the merciful and generous man of justice, whose hardest fights are fought for others’ lives, who would rather, with Plato, suffer wrong than inflict it, and who will lay down his life to serve mankind? The first is fittest actually to survive in the unregulated contest of individuals. The second is fittest morally to survive in a society of mutually depen-



dent human beings. And that the morally fittest shall actually survive and prosper "is the object of good social institutions."

This society of the just may be an unattainable ideal upon earth; it may be destined to exist only in some heavenly place among the gods. But according as we are brave or faint-hearted, wise or foolish, virtuous or corrupt we approach it or fall off from it. There is, not, and may never be, a heaven upon earth, but that is no reason why we should not strive to realise as much of heaven as we can. We can approach, if we can never reach, the rule of Right and of Justice, that those shall prosper who deserve it. We can at least institute and maintain conditions which favour this result, which therefore promote the survival of the fittest in the only sense in which that end is desirable. But even the halt and the lame, if they bear their trouble bravely, may be fitter for the social state, and serve it better by their patient lives than the bold and strong, who, in the pursuit of their own end, turn the earth into a hell. Better to preserve the physically weak and their offspring than the morally bad and their brood of evil. Better to keep alive a maimed deformity than the human monsters who, if the tale be true, "grew" these deformities for gain. But we have no such sad alternatives before us. A due regulation of economic conditions would provide for physical

\* It is almost superfluous to point out the ambiguity in the word *fit*. In any struggle the fittest survives. He would not have survived had he not been the fittest to meet the particular conditions of that particular struggle. It does not follow that he is the fittest from a moral point of view, i.e., that he is the competitor for whom a moral man, weighing the merits of the rivals from a moral point of view, would desire the victory. Very immoral qualities may be the condition of success in certain states of social or non-social existence. If, then, we wish to preserve the morally fit, we must make submission to *moral laws* the main condition of success. Then the two meanings of fitness coincide. The morally fit become the best fitted to survive. Again, in the first meaning of the word, the survival of the fittest is a fact. In the second it is a desideratum. But the fact is not always a desideratum, nor the desideratum always a fact. We wish the desideratum to become fact.

as for moral health, and far from scorning the teachings of biology would use them to promote the evolution of a nobler species.\* The evolutionist argument thus correctly understood makes straight for collective control.

The true value of liberty was, I venture to think, better understood by older writers like J. S. Mill. That, in his phrase, "individuality is an element of well-being" is, I believe, a permanent truth. We do not want to run everybody into one mould. We do not wish to turn our national institutions into a Procrustes bed, in which every man's nature is to be cut to one length. But then we entirely deny that the regulation of industrial life tends in this direction. If it were proposed to impose an uniform religion, to dictate a system of thought, to interfere with a man's leisure, even to regulate his minor tastes in dress or furniture, then, indeed, we should be cramping individuality and inaugurating an era of stagnation. And when such things are advocated, we, for our part, shall be found among the ranks of the Individualists. But an active social life has no connection with the rule of pigotry and intolerance. The best social life consists precisely in the harmonious working out to their fullest possible development of the best capacities of all members of the community. And true liberty, to quote Professor Green again, is found when each man has the greatest possible opportunity for making the best of himself. And the problem for society is so far as possible to ensure such liberty for all its members. To do this undoubtedly involves the curtailment of individuals in some of their actions. But some such limitations are essential to the very existence of society. We cannot allow people to discharge pistols in Piccadilly or bombs at the base of our public buildings, however much they may be

\* So much has been said by evolutionists of the danger of keeping alive tendencies injurious to society, that it is surprising that they should not notice the tendency of individualism to foster selfishness and callousness to suffering—the most directly antisocial of all tendencies.

convinced that they are but following their best impulses in so doing. We have to curtail the free play of their aspirations for the safety of ourselves and our fellow-citizens. The curtailment of the liberties of some, then, may mean the maximum of liberty upon the whole. And this maximum it is our object to ensure. Thus free competition for employment is a form of uncurtailed liberty, and it results in working hours of twelve, fourteen, or sixteen a day; with full liberty for self-development in the hours that remain. If we curtail the liberty on one side, and so obtain an eight-hour day for a group of workers, with four, six, or eight hours' additional leisure, do we add to liberty or subtract from it upon the whole? If we compel so much education as puts a child in a position in which he has all the best thoughts that have been expressed in his mother-tongue at his command, do we give him a worse or a better chance of developing his nature in the long run? In a word, if we exercise control where the health and other material needs of society are concerned, do we augment or diminish the power of satisfying higher needs? I should reply that all depends on the wisdom of our control. If you govern badly or unwisely, probably enough you will get bad results. But it is a bad government, indeed that would not be better than anarchy, just as it is a very poor brain that is no better to its possessor than an empty skull. The actual control itself is, in fact, a small obstacle to liberty in its higher aspects. Just as it matters little to control the body if you leave the spirit free, so it is a small thing to order man's doings in the way of providing material needs if you leave him to roam unfettered in the larger field of mental and spiritual development. And as our object is to enable men to realise such development, and find in it their greatest happiness, we insist at one and the same time on perfect freedom in this direction, and perfect organisation of all the material basis of society which forms the foundation of the wider life.

We do not, then, attack liberty, but defend it. But we distinguish kinds, or, if you like, spheres, of liberty as of very different importance. And we advocate curtailment of the lower kinds in the interests of the higher. It may be asked who is the judge of higher and lower, and who decides what is essential to the interests of the higher? Only one answer can be given—the majority of the citizens, and this brings us to the second of Mill's pleas for liberty—the fallibility of any human authority. Here again we have a consideration of great and permanent importance. No human being, and, therefore, no collection of human beings, can be perfectly wise. If we admit, with Aristotle, that the wisdom of a body of men in their collective decisions may be greater than the average wisdom of the component individuals, we must yet allow that it is imperfect. The court of appeal to the people is the highest human court, because none higher and none safer can be devised. But the voice of the people is not the voice of God. And a whole generation may follow a mistaken idea about its own best interests. To ignore this is the mere weakness of fanaticism.

But we have a corrective to all mistakes—the only corrective open to mankind—in free criticism; we must in many ways control action, we cannot control thought, we should not control speech. In all curtailment of freedom, let this field be left open, and the main danger of government—persistence in a wrong course—is avoided. We shall lose, we do lose something by toleration in this form. The promulgation of error is *pro tanto* harmful. But Mill has shown that the open advocacy of error is far less prejudicial to the cause of truth than the suppression of divergences of opinion. Free discussion is the best corrective of stagnation, and free discussion involves some error. And there is a suitable point at which the repression of erroneous doctrines should begin, the point that is when it issues in action to the hurt of society. At that point repress it if you please, but still leave men free to talk. This distinction is

of course recognised in law. It is open to a man to advocate Mormonism in England, but it is not open to him to be a bigamist. In most respects the law already holds that it is best to let men talk out their thoughts and to meet them by reason and persuasion, rather than with a whiff of grapeshot. And so far from advocating an extension of collective control in this direction, we would rather see a clearer line of demarcation drawn, and the rule of free discussion made as nearly absolute as any rule can be.\* Let the fresh air of criticism move over the face of the waters and keep them astir. Then at least we shall avoid stagnation. It is difficult to many people to combine toleration and zeal—difficult, but necessary. Half the progressive movements of the world have failed in the long run through this defect. To raise men one step on the upward path, they have built up a machinery which has prevented all further movement; and the next stage has had to begin with the breaking down of this cumbersome mechanism. If for the future this error can be avoided, progressive movements will no longer contain the causes of stagnation or relapse within themselves. And the single general principle which can be laid down to help us here is the principle of free thought and free discussion. It may be asked, "If you admit the State fallible, how can you insist that we should let it judge for us?" I purposely put the question in this form, because I think, that however phrased, it rests on an unanalysed idea of the State as something outside ourselves. The truth of course is that we are the State, and when we judge and decide things as a state, we are in no worse position for judging than in the practical affairs of daily life. I cannot get an infallible judgment from any source on earth, whether on my own affairs or to assist anybody else. ~~For~~ If it is

\*It is, I think, consistent with this to regulate, in some degree, the manner of expression in certain subjects. Since in this case the use of some expressions produces an effect on the hearer without altering his opinion, and the absolute rule we want is that any attempt to modify opinion should be permissible.

contended that every one from Solomon to the village fool is the best judge of his own interest, it cannot be held that either Solomon or the fool are infallible even on this point. The argument then cuts both ways. If the State is fallible in dealing with the individual, the individual is fallible in acting for himself. And it has to be considered that each man's action affects other people, and however well he may be able to judge for them and for himself, there is no guarantee that so far as they are concerned, he has the will to judge well. The democratic state, on the other hand, represents the resultant judgment, so to say, of the conflicting views of all its adult and sane members, and in this resultant judgment we get the nearest approach to a collective judgment of the social organism upon its collective interests, parallel to the judgment of the individual man on his private interests.

There are those who allow the uncertainty of things to weigh so heavily upon them as to paralyse their will in their own private affairs. They exaggerate caution, and allow the one-thousandth chance of failure to outweigh the 999 probabilities of success. They do not count the cost before acting. They never act at all. The thing in some instances, I believe, becomes a kind of mania, ending in a sort of general paralysis. Many people suffer from a similar paralysis when they approach public affairs, and the only active principle they appear to retain is that of spreading the same paralysis throughout society. But society must judge and act, as individuals must judge and act. Inaction no more saves us from responsibility, than the ostrich secures itself from its enemy by burying its head in the sand. If we decline to act, we are responsible for all that follows from inaction, as surely as we must take the consequences of action when we do act. If we do not put down gambling, if we do not limit the hours of industry, if we do not punish criminals, we must be held responsible for all that follows from our passivity. Responsibility is hung

about our necks, and we cannot shake it off. For better or for worse, in private and in public, at each emergency of life on each new question forced on us, we have to judge as best we can, using all available light, listening to every instructed teacher, and, finally, coming to a decision not less resolute because delayed. Consciousness of weakness and limitation is all good if it leads to open-mindedness and toleration, all bad if its result is the paralysis of doubt. And in the great matters of life, it is our imperative duty not only to hear all sides, but also having heard them, to form opinions of our own. The duty of having convictions is correlative and supplementary to the duty of tolerance and open-mindedness.

Both duties may be recognised in our public action, and the due balance of both can alone secure a continuous forward movement of mankind, and in it lies the solution of the old question between liberty and authority. Using every available means of obtaining true ideas of what is necessary as the fundamental condition of social health, it is our right and duty to enforce that by any and every form of collective authority, legally or voluntarily constituted. It is equally right and good to leave a fair field of discussion open to all who consider themselves aggrieved, or who think we are in the wrong path. And, finally, collective control has not so much to make people good and happy, as to establish the necessary conditions of goodness and happiness, leaving it to individual effort and voluntary association to develop freely and spontaneously all the fair flower and fruit of human intercourse and knowledge and beauty, which can spring from a sound root firmly planted in life-giving earth.

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